

Agenda Item	12
Report No	HC/27/17

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 7th September 2017

Report Title: **Chief Executive's Proposals for the Highland Council Management Structure**

Report By: Chief Executive

Purpose/Executive Summary

This paper addresses the outstanding recommendation of the Redesign Board to the March Council and presents proposals for a leaner Senior Management structure of 4 Directorates. It also proposes a number of adjustments to the leadership and management of specific functions to meet the agreed Redesign criteria and to achieve targeted improvements in performance.

The proposals involve changes to some statutory functions. The allocation of these responsibilities is specified.

These proposals will reduce the number of Senior Managers in the Council. This reduction is in addition to the 83 senior management posts removed in the past 9 years.

1 Recommendations

Members are asked to:

1. **Note** the criteria at 2.4 and the contextual factors at 3.1 which frame these proposals for the Highland Council management structure
2. **Note** that Highland Council currently has the leanest senior management structure among Scottish rural Councils
3. **Agree** to amend the management structure from 5 Directorates to 4 comprising
 - Corporate Resources
 - Community Services
 - Development and Infrastructure
 - Care and Learning
4. **Agree** to the changes in organisation and responsibilities set out at section 5.6

5. **Agree** to Member involvement (1 member from each Group) in a short term working group to review Ward Manager roles and how these will drive the shift to localism
6. **Agree** to appoint a Director to the additional role of Depute Chief Executive and to reduce the additional remuneration for these duties to £5,000 per annum.
7. **Agree** to the changes to the allocation of statutory roles set out at section 5.8
8. **Note** that the Chief Executive will consult with Heads of service on the staff-side suggestion that Head of Service posts should have generic job descriptions
9. **Agree** to delete 2 posts as detailed in section 8.1
10. **Note** the Risk implications, specifically that the deletion of 2 posts from corporate functions will increase the risk of senior managers being unable to fully meet the expectations of Members and the Highland public.

2. Background

- 2.1 On 9th March 2017 the previous Council agreed the final recommendations of the Redesign Board. These recommendations were developed from work undertaken over 10 months by 16 elected Members and 2 representatives from Trade Unions, supported by officers and informed by best practice and contributions from staff and community groups.
- 2.2 In June 2017 this Council agreed proposals for more streamlined governance, for operating more commercially and for widening democratic and community participation.
- 2.3 This report presents proposals to address the March Council's outstanding recommendation "**That the Chief Executive is tasked by the Council to develop proposals for the structure and management of Council operations, based on the criteria set out in paragraph [2.4]. This should include the process and timescale for implementing the redesigned structure and be recommended to the new Council.**"
- 2.4 The criteria referred to in the recommendation are as follows:-
1. The shift to localism;
 2. The need to support the streamlined governance proposals;
 3. The redesign statement requirements around efficiency, commercialism, local listening, community action and freeing up staff to work innovatively and the need to target support to places and people requiring it most;
 4. Affordable proposals within existing resources;
 5. Recognising that aspects of some functions will need arrangements at different geographies (e.g. Highland-wide and local arrangements);
 6. Engagement with Trade Unions.

3. Context

- 3.1 In considering a structure for the management of Council operations, it is important to consider context and to recognise that Local Government faces a period in which significant change feels inevitable but unpredictable. The drivers for that change include:-
- **Financial challenges.** The Director of Finance has set out a range of projections for the impact of diminishing revenue resources which in themselves highlight the uncertainty of our position. He has also recognised that the Council's current capital programme is unaffordable and must be reduced to affordable levels.
 - **Legislative Changes.** The Scottish Government's proposals for changes in Education Governance hold the potential for a major impact on the role of the Council in managing education in the Highlands. At the time of writing much remains unclear. Details of an expected Local Democracy Bill and local governance review are also awaited.
 - **Health and Social Care Integration.** Our Lead Agency model remains unique in Scotland and our achievements in partnership with NHS Highland and local communities demonstrate its clear advantages over Integrated Joint Boards. However, financial and other challenges will mean that we must work with NHS Highland to review how we ensure it continues to deliver our shared objectives.
 - **Localism** is a key criteria for change and the shift in this direction will

be complex and differentiated across Highland. It holds the potential to empower and improve local decision making but it will also impact on resources and, for some aspects of service delivery, it is likely to be more costly to support than current models.

- **Senior Management Capacity.** The Council has an extremely talented and well-motivated team of senior managers who have adapted and stretched to maintain services in the context of significant workforce reductions in previous years. The scale of these reductions was described in the Council's Revenue Budget report of 2016 in which it was recognised that "*over the past 8 years Highland Council has made significant savings in senior management costs, reducing some 46 posts at a recurring saving of £3.6m.*" At that meeting the Council went on to agree to a further reduction of 37 senior posts (graded at HC11 and above) delivering a further recurring saving of £2.4m. The Council is therefore asked to recognise that these add up to 83 posts cut from senior management structures in the last 9 years to reduce costs.

3.2 In considering the affordability of the proposals within this paper it is informative to compare our capacity at Chief Officer/Director/Head of Service level with other similar Councils. Research undertaken in the last 6 months has compared Highland Council with Aberdeenshire, Angus, Argyll and Bute, Borders, Dumfries and Galloway, Fife, Moray, North Ayrshire and Arran, Perth and Kinross, Shetland, Orkney and Comhairle nan Eilean Siar Councils. The findings of the research are as follows:-

- Of these 13 largely rural Councils, Highland is the largest by land mass and second only to Fife in budget terms. 7 of the Councils have less than half of Highland's budget.
- Highland has more elected members than all of these except Fife. 8 of the Councils have less than half of our Councillor numbers.
- Highland currently has 25.3¹ Chief Officer/Director/Head of Service posts. 3 Councils have more than this with the highest at 37.
- **Highland has the leanest top management structure overall in this group.**
- Highland has **0.34 Chief Officer/Director/Head of Service posts per elected Member.** All of the other Councils have more, ranging from 0.39 to 1.68 posts per elected member.
- In round numbers Highland has **6 Chief Officer/Director/Head of Service posts per £100m of budget.** Fife has 5 and all of the other Councils have more than Highland with the complete range running from 5 to 46 posts per £100m of budget.

3.3 It is therefore important to recognise that the starting position for these proposals is one in which the significant reductions of the past have made Highland the leanest Council in its class in terms of top level management capacity. Any further cut needs to be very carefully weighed up against an impact on the ability of the senior management team to meet the expectations of Members and the public.

4 Existing Structure

4.1 The Council team is currently structured into 5 Directorates and a small Chief Executive's Office team. The organogram is attached as Appendix 1.

¹ CEX, 5 Directors, 18 Heads of Service, 1 ALO Chief Officer. 0.3 Shared Procurement post

- 4.2 The Depute Chief Executive/ Director of Corporate Development has been appointed to the post of Managing Director of Blaenau-Gwent Council and Members will join me in congratulating Michelle on this well deserved promotion. That post will become vacant when she leaves Highland in October,
- 4.3 The post of Head of Digital Transformation is filled on an Interim Management basis and this arrangement will come to an end in October, leaving a vacancy.
- 4.4 The Head of Policy and Reform is currently seconded into a role leading the Council's Redesign work and that post is currently covered by an acting-up arrangement.

5 Proposed Structure

- 5.1 In setting out proposals for the structure and management of Council operations, and taking account of the contextual change issues set out in section 3, it is important to recognise that the proposals in this paper cannot be considered as a settled model for this Council. Instead we must consider these as a model suited to mid-2017 and one which will have to be reviewed again as the contextual changes become more clearly defined.
- 5.2 The proposals set out below are therefore characterised by incremental changes designed to address the criteria at 2.4 and to make a number of adjustments to clarify responsibilities and improve performance in highlighted functions.
- 5.3 The planning for this reorganisation has been undertaken sensitively, including confidential discussion with Administration Leaders. The nature of some of the proposals has until recently limited the extent to which Directors and Senior Managers have been able to be involved. The proposed structure is therefore defined in this paper at Directorate level, with further work still to be done by the Executive Leadership Team in rationalising the detailed responsibilities of Service Management Teams. Further consultation will be necessary with staff-side representatives and with staff who are directly affected and much of this downstream rationalisation will be at operational level. Strategic and policy decisions will come to relevant Committees in due course.
- 5.4 It is proposed to reorganise from 5 to 4 Directorates and to increase the responsibilities of the Chief Executive's Office team. The proposed organogram is attached as Appendix 2.
- 5.5 This proposal is designed to reduce costs and support improved performance in highlighted functions. The reduction in the number of Directorates from 5 to 4 will be achieved by effectively merging most of the functions of the Finance and Corporate Development Directorates into a new Corporate Resources Service. The Services would be:-
- Corporate Resources
 - Community Services
 - Development and Infrastructure
 - Care and Learning
- The Director of Finance would become the Director of Corporate Resources and the other 3 Directors would be matched into their current posts.

5.6 To address the criteria at 2.4 and to support targeted improvements in performance it is also proposed to make the following changes:-

- A slimmer Care & Learning Service focusing on these care and learning functions. This builds on the benefits of the previous decision to transfer Catering, Cleaning and Facilities Management services to Development & Infrastructure.
- Redesign the Head of Resources role in Care and Learning to recognise management roles transferring to other Services and allocate Head of Service level responsibility for functions including oversight of the NHS Highland commission, the High Life Highland Commission, the Eden Court service delivery contract and all 3rd sector culture and leisure services.
- Place all Property functions (except Housing Maintenance) and budgets in the Development & Infrastructure Service. In addition to better overall performance and consistency of decision making this proposal will improve:-
 - a) Arrangements for security of buildings
 - b) Responses to property enquiries/proposals from community groups
 - c) Design and management of Capital building projects
 - d) Capacity to take a more commercial approach with our property assets
- Strengthen and simplify the management of Housing maintenance functions within Community Services to improve performance and reduce cost. (Detailed proposals will come in a Committee report)
- Place all operational Transport functions and budgets in Community Services. (Directors will work together to ensure joint working on those strategic and Capital Programme transport functions which will remain in D&I)
- Transfer the Travel desk to Community Services and enhance the function to include a new Hire desk role.
- Provide Finance account management to each Service to help improve budget manager practice
- Form a new Commercial team in the Corporate Resources Service
- Split the functions previously led by the Head of Digital Transformation such that:-
 - a) the Customer and Registrar Services functions are allocated to the current role of Head of Revenues and Business Support (to be retitled) to enhance customer services resources and flexible working.
 - b) the Digital and ICT client functions are allocated to the current role of Head of People and Transformation (to be retitled) to better support the digital opportunities to transform the Council.
- Increase the leverage of the Corporate Improvement team in supporting Redesign, Continuous Improvement including LEAN and the activities of the new Commercial Board
- Return all ward manager roles into the Chief Executive's office team to drive the localism shift. (It is proposed to form a short-term working group to involve Members in redesigning priorities, deployment, titles and job descriptions for this team). For the period of the secondment of the Head of Policy and Reform to Redesign, the current Senior Ward Managers/City Area Manager would report directly to the Chief Executive

- Transfer the functions led by the Head of Corporate Governance to the Chief Executive's office including the Monitoring Officer role (see paragraph 5.8.3) and to better support the governance of the shift to localism. This is also the appropriate home for the Elections team.
- The Chief Executive's office to continue to drive Redesign with the current acting-up arrangements continuing.
- Transfer Gaelic development functions (excluding curriculum) to the Chief Executive's office.

5.7 The role of Deputy Chief Executive will also become vacant in October. This role has in the past been allocated (in a competitive selection process) to one of the Directors and it attracts an additional payment. While it is the case that not all Councils in Scotland appoint to a depute post, this arrangement has worked well for Highland in the past, recognising the geographical challenges and addressing Members' expectations of resilience in leadership and advisory roles. In the current context of enhanced security risks it is proposed that this arrangement should continue and that one of the 4 Directors be appointed to that role but that the payment enhancement be halved to £5,000 per annum.

5.8 **Statutory Functions**

5.8.1 These proposals will involve a number of changes to Statutory roles. The allocation of these statutory responsibilities will be as follows.

5.8.2 The **Head of Paid Service** is the Chief Executive.

5.8.3 The **Monitoring Officer** has the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5, paragraph 24, of the Local Government Act 2000. It is proposed that this responsibility is fulfilled by the Head of Corporate Governance. This officer will also take on the role of Company Secretary for High Life Highland.

5.8.4 Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a **Chief Financial Officer** to have responsibility for those arrangements. This role cannot be fulfilled by the same person as the Monitoring Officer. It is proposed that this responsibility is fulfilled by the Director of Corporate Resources.

5.8.5 The Education (Scotland) Act 2016 places a duty on the local authority to "appoint an officer to advise the authority on the carrying out of the authority's functions under this Act to be known as the **Chief Education Officer**". This officer must have the necessary qualifications and experience for the role. This accords with the expectations within Highland Council for the Head of Education post, and it is therefore proposed that the Head of Education fulfils this responsibility.

5.8.6 There is an existing responsibility for the Council to have a **Chief Social Work Officer**, further to the Social Work (Scotland) Act 1968. This officer acts in this capacity across the Highland Partnership. To date, this role has been fulfilled by the Director of Care & Learning, who satisfies the qualification and experience criteria. There is no pressing reason to make changes to this

arrangement, but it is intended that there will be further consideration of the location of this role within the structure, taking account of national guidance and the impact of the various organisational changes set out in this report.

6 Consultation

6.1 In addition to discussing the initial proposals with Administration Leaders, they have been subject to targeted consultation including

- Group Leaders
- Staff side representatives
- Executive Leadership Team (cascaded to Service Management teams)
- Managers likely to be directly affected by the changes proposed (cascaded to their teams where relevant)

Some of the suggestions arising from consultation have not themselves been consulted upon.

6.2 A wide range of supportive and helpful responses has been received and many of these are reflected in the final set of proposals presented in this paper. Others will be for Directors and Service Management teams to consider in their operational arrangements.

6.3 Of particular note is a suggestion from the Unison representative that Head of Service posts should have generic job descriptions and therefore generic gradings at HC 15. This is designed to improve flexibility and build on the recent experience of peer reviews within the Redesign initiative. This suggestion is considered to have merit and it is now proposed to consult with Heads of Service before making a recommendation to Council.

7 Timescale

7.1 The change from 5 Directorates to 4 would, if approved take effect from 1st October and the adjustments described in paragraphs 5.6 to 5.8 would be implemented as soon as practicable thereafter and be complete by 31st March 2018.

8. Implications

8.1 Resource – These proposals would reduce the costs of the Senior Management structure of the Council by deleting 2 posts:-

- The previous 2 posts of Director of Corporate Development and Director Finance would merge into 1 post of Director of Corporate Resources.
- Head of Digital Transformation

These changes and the reduction in the enhancement for the Depute role would reduce the Senior Management costs of the Council by £235,000 per annum (including oncosts). This saving will contribute to the Redesign budget saving agreed in February 2017.

8.1.1 The establishment of a commercial team in the Corporate Resources Directorate will support the Commercial Board and contribute to the Council's income generation objectives.

8.2 Legal - These proposals will involve a number of changes to Statutory roles and the allocation of these duties would be as described in section 5.8. Implementation of these proposals will involve numerous amendments to the

Scheme of Delegation which would come forward to a future Council meeting.

- 8.3 Community (Equality, Poverty and Rural) – These proposals are designed to support the Council's desired shift to localism. In particular the return of Ward Manager functions to the Chief Executive's office and the simplification of the management of property assets into Development & Infrastructure are designed to further these objectives.
- 8.4 Climate Change/Carbon Clever – The transfer of all property responsibilities to Development & Infrastructure is intended to improve the management of property assets including the management of energy consumed by buildings. The transfer of all operational transport responsibilities to Community Services is intended to improve the management of vehicles and routing which should reduce fuel consumption.
- 8.5 Risk – These proposals involve reducing an already lean management structure by 1 Director and 1 Head of Service post to reduce costs. There are clear implications in terms of capacity and resilience which increase the risk of senior managers being unable to fully meet the expectations of Members and the Highland public. In particular the impact will be felt on the corporate functions where both of the proposed post reductions will apply.
- 8.6 Gaelic - These proposals transfer the responsibility for Gaelic development to the Chief executive's office team. Education and curriculum issues would remain with Care and Learning.

Designation: Chief Executive

Date: 29th August 2017

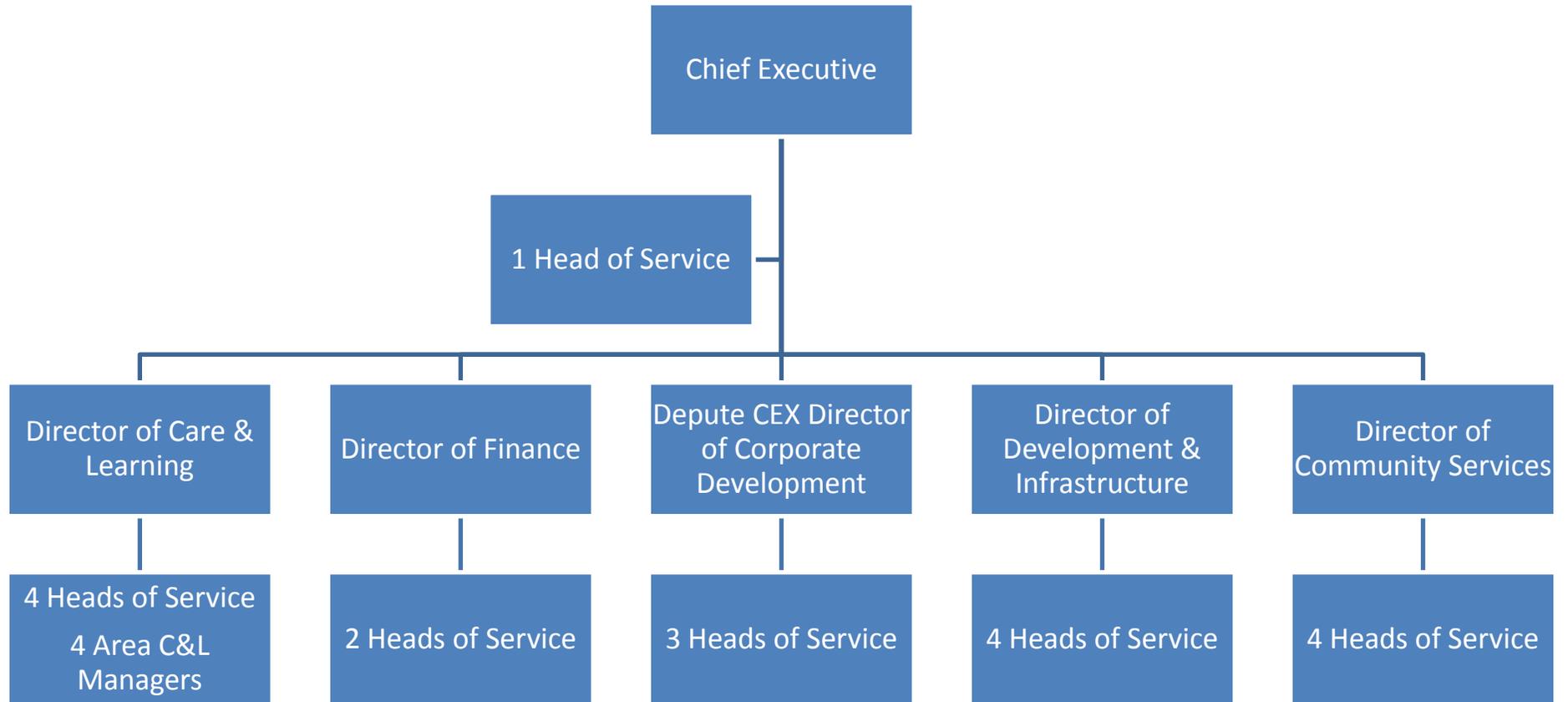
Author: Steve Barron

Appendices

Appendix 1 – Existing Structure

Appendix 2 – Proposed Structure

Appendix 1 Existing Structure



Appendix 2 Proposed Structure

