

Item No. 23.	Classification: Open	Date: 21 July 2015	Meeting Name: Cabinet
Report title:		Senior Management Restructure	
Ward(s) or groups affected:		All	
From:		Chief Executive	

FOREWORD – COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL

When we made changes to the strategic management arrangements in 2012 we did so within a framework of pursuing an ambitious programme of delivering our Fairer Future promises. We also established a process of elected members and senior officers working in much closer collaboration. We recognised the need to work in a much more cross cutting and collegiate way across portfolios and departments to be more than the sum of our parts and to achieve more with less. I believe the successful achievement of our Fairer Future promises, and our continued ambitious programme based on our 2014 promises speaks for themselves.

However, the financial constraints are tightening rather than relaxing and we have to continue to address emerging challenges in both a top down and a bottom up way.

The new structure proposed here is a significant shift at the senior management level below Chief Officers but we are aware through our budget challenge processes that we can create even greater synergies while rationalising the number of divisions across the Council and making savings in senior management costs. We are also aware that the even more significant changes made at Chief Officer level in 2012 have been successful in helping us deliver better outcomes in a more focussed and dynamic way.

As in 2012 we recognise that we will be losing members of staff who have given long and valuable service to the Council. This is true across all levels of the management structure as illustrated by all those who have volunteered to go under our enhanced voluntary redundancy scheme.

We will continue to address our budget challenges in a fair and measured way while not compromising our ambitions for Southwark and its communities.

RECOMMENDATIONS

That cabinet agree the following;

1. The transfer of the following services and associated budgets within the existing departmental structures of the Council:
 - Rent collection, service charge collection, Former Tenant Arrears and all other income functions to Strategic Director of Finance and Governance

- Electoral Services and land charges to Strategic Director of Finance and Governance
 - Modernise (encompassing IT, HR, Corporate Facilities Management and Modernise) to Strategic Director Housing and Modernisation
 - Safeguarding Partnerships to Strategic Director Children's and Adults' Services
 - Public Health to Strategic Director Children's and Adults' Services
 - Adult Learning to Strategic Director of Children's and Adults' Services
 - Southwark Building Services to Strategic Director of Environment and Leisure
 - Play service to Strategic Director of Environment and Leisure
2. The renaming of the following Chief Officer roles:
- Strategic Director of Housing and Community Services to Strategic Director of Housing and Modernisation
 - Strategic Director of Finance and Corporate Services to Strategic Director of Finance and Governance
3. The creation of the following Senior officer roles:
- Director of Environment
 - Director of Leisure
 - Director of Resident Services
 - Director of Asset Management
 - Director of Modernisation
 - Director of Exchequer
- And re-naming:
- Deputy Finance Director to Director of Finance
 - Head of Community Engagement to Director of Communities
 - Director of Legal Services to Director of Law and Democracy
4. To agree that the statutory function of the Electoral Registration Officer will transfer to the Strategic Director of Finance and Governance.
5. To note the deletion of the following JNC officer roles as a result of the enhanced voluntary redundancy scheme:-
- Head of Public Realm
 HR Director
 Director of Corporate Strategy
 Director Strategy & Commissioning
6. To note that any further deletion of senior JNC officer roles will be undertaken in accordance with appropriate Council HR procedures.
7. To note that all Chief Officer posts are contractually inter-changeable, therefore placement of function and post holders otherwise is delegated to the Head of Paid Service in accordance with the Council's policies and procedures.
8. To note that the reorganisation and associated consultation process will be undertaken in accordance with the Council's Human Resources procedure for Reorganisation, Redeployment and Redundancy.

9. To delegate the implementation of the transfer of services and associated Senior Management Structure changes to the Chief Executive.

BACKGROUND INFORMATION

10. The budget setting report 2015/2016 was agreed by Council on 22 February 2015. This included proposals to save £30m from general Fund budgets in 2015/16 including approximately £6m for reviews and restructuring of services.
11. Cabinet have considered the likely projection for resources in 2016/17 onwards and it is considered likely that further savings in the order of £38.5m will be required in 2016/17 and £28.4m in 2017/18. It is widely anticipated that these projections will be confirmed, or worsened, by the next spending review.
12. In times of such financial austerity, and mindful of the need to reduce our staffing numbers overall, the Cabinet agreed in March 2015 to offer enhanced voluntary redundancy terms across the Council including, but not restricted to, those officers impacted by restructuring and reorganisation. Four senior JNC officers are included in the members of staff who have, or will be voluntarily leaving the Council.
13. The previous senior management reorganisation in 2012 recognised the need to work in a much more cross cutting and collegiate way across portfolios and departments to be more than the sum of our parts and to deliver more with less. This closer collaboration has been effective in delivering the Council's vision of a fairer future for all in Southwark, however, given the deepening period of austerity we need to build on our experience of working across the departments to further rationalise senior posts.
14. As a result of the financial challenges, the opportunities for savings afforded by some senior officers voluntarily leaving the Council and our knowledge of how service groupings could be more effective, the Chief Officer team have embarked on a restructuring exercise which we believe will reduce costs, increase efficiency and enhance cross-cutting working in the Council. This has been enhanced by the Budget Challenge process that has provided a clear focus on the potential synergies and savings across existing departments.

The key principles underpinning the proposals are:

- To rationalise the number of divisions across the Council, and as a result make senior management reductions thus creating savings.
- To create greater synergies and the opportunity for greater efficiencies, for example centralising major financial transactions under a new Exchequer Division.
- To increase the significance and importance of Modernise as the necessary route of transforming the way the Council operates. As a first step to place strategic responsibility with the Strategic Director Housing and Community Services and to restructure key enabling services (HR, IT, Corporate Facilities Management, Customer Services) under a Director of Modernise.

15. Rationalising management structures is a key element to any efficiency programme, reducing staff numbers and drawing functions together targeted to Council aims. As reported in the 2012 reorganisation, this process needs to be dynamic and responsive to changing needs and circumstances and therefore structures and reporting lines need to be similarly fluid. The principle that the Chief Executive should have some departmental responsibilities alongside the Head of Paid Service role was established in 2012 and remains within these proposals.
16. A consultation paper was circulated in early June 2015 and consultation continued into July. This Cabinet report presents the proposed new structure, the anticipated financial savings and the consultation feedback received by the Chief Executive and Chief Officers.

Proposed New Structure

17. The existing structure includes 25 direct reports to COT and is included at Appendix 1.
18. The proposed structure, incorporating the recommendations within this report, sets out 17 direct reports to COT and is included at Appendix 2.

RATIONALE FOR PROPOSALS AND RESULTS OF CONSULTATION

19. Consultation on the senior management structure proposals took place during June and early July 2015. The full response to the consultation has been captured in an issues log, which is the subject of further work by Executive HR Managers and forms an important document going forward.
20. There were 27 individual responses to the consultation, some of which took the form of personal statements and did not either pose questions or require a response. An analysis of the comments has generated 96 issues or questions that do necessitate a response through the issues log.
21. Consultation with the trade unions also took place and minutes and actions arising from four separate DLC meetings have been received:
 - Special DLC with Strategic Director of Housing & Community Services 2 July 2015
 - Special DLC with Chief Executive 6 July 2015
 - DLC with Strategic Director of Environment & Leisure 7 July 2015
 - DLC with Strategic Director Children's and Adults 17 July 2015.
22. 66 issues were raised by the Trade Unions during the course of these meetings which have also been consolidated into the issues log.
23. Key themes that resulted from this consultation are shown below together with COT's responses. All consultation feedback has been considered in the recommendations prepared for Cabinet in this report. There were specific requests for further explanation for the rationale for the structural changes to Housing & Community Services, Environment & Leisure and Public Health and these are contained in Appendix 3.

Clarifications and queries about processes (consultation and reorganisation)

24. It was felt that the organisation process and subsequent consultation on the proposals was being rushed and pushed through too quickly to allow adequate consultation. It was commented that the consultation paper was unclear on the process and timescales for the reorganisation, and that the report lacked sufficient clarity and detail. Concerns were expressed that the proposed changes could lead to a loss of key skills and expertise across the council and that this change process needed to coordinate with the current voluntary redundancy scheme and other ongoing reorganisations and consultations.
25. The senior management structure proposals lead on from the previous changes to the senior management structure in 2012. The context of change and the continuous need to flex and find ongoing savings in a difficult financial situation is well understood by the Council's senior management team. Nevertheless, COT appreciates that any change to structures is unsettling for the staff affected and ongoing service delivery.
26. Staff were fully engaged in the consultation, making written contributions, attending individual and team meetings, and a number of senior managers met with the chief executive directly. The timescale for consultation complied with the Council's HR processes for reorganisation.
27. COT has always been clear that this is only the first stage of the process and that more detailed departmental consultation will follow with individual strategic directors presenting the detail of their new organisational structures, job descriptions and function groupings following the changes to the senior management structure.
28. The implementation date of 1 October 2015, whilst challenging, enables the process to take place over the summer period minimising the impact on service delivery. In addition, the consultation has coincided with the council's enhanced voluntary redundancy scheme which has provided additional choice for senior managers displaced by the new structure.
29. COT has been cognisant of the need to dovetail the consultation with existing restructures and consultations. Where it has been expedient to do so, restructures have been 'paused' pending the implementation of the new senior management structure, for example the proposal for SBS planners to move to the contact centre from 1 September 2015.
30. Finally, as with any change of this scale, there is a risk that there will be a loss of key skills and expertise. Irrespective of the current proposals, this is an ongoing focus for COT which we seek to address through the council's workforce strategy and succession planning to harness the broad range of enthusiasm and insight of ambitious staff across the whole council, as well as attracting new talent.

Justification and rationale behind the proposals

31. It was felt that the report was unclear on what benefits these proposals were hoping to achieve in terms of organisational improvements and savings: it was unclear where the proposed £1m savings were to be realised. It was suggested that this proposal was, or would lead to, a far broader Council wide restructure and that the consequences of this needed to be addressed. It was felt that the rationale behind the creation of the Modernise division, and especially the move of Human Resources was unclear, and that this change carried significant risks. It was suggested that the services proposed for inclusion within Modernise would be better placed with Finance or with the Chief Executive.
32. It was unclear what the rationale behind the changes to Home Ownership services and Income Collection was and what the proposed changes hoped to achieve. There was concern about the changes to Community Safety, specifically around the loss of strategic partnership links, key skills and the Council's capacity in response to emergency situations.
33. The £1m savings result from the net reduction of senior management posts and the associated support functions for those posts. In the current senior management team, there are some Directors and some Heads of Service reporting to Strategic Directors. The proposals recommend that there will be fewer direct reports to Strategic Directors and that these posts will be Directors, rather than Heads of Service. It is envisaged that the new Director posts will be Grade 18, which many of the current direct reports already are.
34. COT has been quite clear that there will be more detailed proposals following the implementation of the senior management structure and how the new configuration of services is likely to result in additional savings. These new organisational structures are already being worked up, and subject to cabinet approval, will be presented for further consultation to staff in individual directorates.
35. The proposals for the new Modernise directorate recognise the synergies between workforce, organisational development, IT support and facilities management, all of which support staff in delivering their day to day jobs and the current Modernise team's focus on business improvement including the digital business strategy. The Director of HR has only reported to the Chief Executive since 2012. Prior to that, the role reported to the Deputy Chief Executive post. Furthermore, the Chief Executive already has significant departmental and strategic responsibilities with the current responsibilities for Planning and Regeneration. The new Modernise division brings together functions which are currently located in three separate directorates into one, and joins up the responsibilities for workplace, workforce, IT and modernisation.
36. The changes to home ownership are in response to feedback from homeowners, and research commissioned by the Strategic Director Housing & Community Services which suggested a number of changes to the service. The new customer service for homeowners helps to deliver the manifesto commitment of an independent leasehold management company, overseen by homeowners themselves.

37. The co-location of income collection and debt management in a new exchequer division reflects the resident's view regarding the money they owe to the council, rather than individual departments or teams. It also enables the council to look at the range of charges across the piece (council tax, rent, service charges etc.) and manage this in a more cohesive way. There is already much better joint working between rent collection and housing benefit, since the latter service came back in-house. The joining up of services within one exchequer team is the next logical step.
38. COT does not accept that there will be a loss of strategic partnership links through making changes to community safety. The strategic links between the Chief Executive and the Police Borough Commander are well established and will not be affected by any changes to the senior management structure. COT believes that the responsibility for the strategic partnerships shifting to the Strategic Director for Children's and Adults strengthens the relationship around key concerns such as child sexual exploitation and gang related activity as well as enhancing the link with safeguarding boards. There are no proposals to change the current emergency response arrangements, and the Council's Emergency Response Manager is not affected by these proposals. Indeed, COT has already embarked on a review of the current borough emergency control arrangements to ensure that there is a suitable pool of controllers to call upon in the event of an emergency.

Comments and suggestions about proposed structural changes

39. There were many broadly supportive comments about the proposal that supported the rationale behind the changes and made suggestions around opportunities for further sharing and synergies. There were views expressed that it would be the next level of reorganisation that would make the largest changes and that this process needed to be made clearer. It was felt that Public Health needed to have a senior and cross-cutting position within the structure in order to remain effective and that the outcome of current consultations should be taken on board before proposing changes. It was felt that the Environment role was too large to be a single role and that there was a lack of balance between the scope of the environment and leisure roles.
40. COT agree that there will be a next level of reorganisation and there will be further departmental consultation about further changes as a result of the changes to the senior management team. COT is very clear however that in making these changes, we are looking to protect front-line service delivery. We know that front-line services are of crucial importance to Southwark residents and, despite the very difficult economic environment, we will seek to minimise any reductions to front-line staff.
41. On the general point about reporting to the Chief Executive to have sufficient influence internally and externally with strategic partners, we do not accept that this is necessary or indeed wise. The reporting line of the director of Public Health to the Strategic Director Children's and Adults should not reduce the strategic influence of this cross-cutting role. We also consider that there are some obvious

synergies in locating this role within this directorate and the synergies in addressing key issues such as child obesity, mental and sexual health.

42. The proposed structure which sits below the new Director of Environment post should alleviate any concerns regarding the breath of this role as the immediate heads of service proposals recognise the need to support this director sufficiently to deliver a broad range of services. The next stage of the process will clearly describe the departmental structures, job descriptions and functions for further consultation within individual directorates.

ALTERNATIVE STRUCTURE PROPOSALS

43. There were four alternative structure proposals put forward for consideration in the consultation proposals.

Housing & Modernisation

44. An alternative proposal for the new Housing and Modernisation directorate was put forward because of concerns about losing control over housing income. Although the rationale for transferring housing income to the new exchequer division was understood, it was felt that HRA income and collection should be in one place. In addition, it was proposed that all of the heads of service posts should be deleted with the exception of the head of customer experience and replaced with four directors with responsibility for resident services, asset management, modernisation and housing income.

Community Safety

45. Consideration should be given to keeping the functions currently under Community Safety together and creating a third director post under the Strategic Director of Environment & Leisure.

Modernise

46. Consideration should be given to placing the Modernise directorate under the Chief Executive or the Strategic Director of Finance & Governance. Alternatively that consideration should be given to putting the support services of HR and Corporate Facilities Management under the Strategic Director of Finance & Governance.

The Number of Chief Officers

47. Consideration should be given to reducing the Chief Officer team by one further post to a team of four.

COT Response

48. COT considered these alternative structural proposals and decided not to amend their recommendations. However, they are presented to Cabinet to consider.

49. Further formal consultation will be undertaken with our recognised Trade Unions and the affected staff groups in accordance with the Council's reorganisation, redeployment and redundancy procedures.

Policy implications

50. The Council's constitution (Part 3C4) includes amongst those matters reserved for Cabinet:
 - Decisions regarding the strategic management of the Council including decisions on major reorganisations and major reallocations of functions between departments or Chief Officers and for the creation of posts above grade 17.
51. This report details the proposed major re-allocations of functions between departments. Any more minor operational or structural decisions as a consequence of these additional functions will be the subject of delegated decision making of either the Head of Paid Service or the relevant Strategic Director as appropriate.
52. The designation of the statutory roles within the Council do not change as a result of this report. The statutory functions of the Head of Paid Service, S151 Officer, Monitoring Officer, and Returning Officer will transfer to the Strategic Director of Finance and Governance.

Community impact statement

53. This rationalisation of management structures below Chief Officers is designed to improve efficiency and simplify how our communities deal with us. As an example, bringing together the currently separate functions of social care and public health. What is important is that in implementing these changes the necessary business of running the Council remains effective and efficient and we can continue to protect front line services as far as possible within current financial constraints. Proposals are specifically geared to improvements in service and priority delivery through better alignment of functions and encouragement of integration of activity whilst achieving much needed savings through efficiency in management and support functions. This builds on the successful senior management restructuring in 2012.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

54. Under Section 4 of the Local Government and Housing Act 1989 the authority has to designate one of its officers as head of paid service and provide that officer with sufficient staff, accommodation and resources to allow their duties to be performed. The head of paid service is responsible for reporting to the authority on, amongst other things, the number and grades of staff required by the authority and the organisation of the staff. The head of paid service has been designated under the constitution as the Chief Executive.
55. Under Part 3C 4 of the constitution, the Cabinet is responsible for making any decisions regarding the strategic management of the Council including decisions on

major reorganisations and major reallocations of functions between departments or Chief Officers. The Cabinet also needs to approve the creation of posts at grade 17 and above. The recommendations in this report are therefore properly matters for the Cabinet to decide.

56. The report also notes that the Senior Management Reorganisation will be undertaken in accordance with the Council Human Resources Policies.

Director of Human Resources

57. All Chief Officer roles are generic in terms of job content, job size and therefore the post holders may be moved as reasonably required by the Head of the paid service to ensure effective delivery of Council services.
58. Within the Councils constitution Cabinet approval is required for the creation of roles at grade 17 and above. It is envisaged that following application of the Councils job evaluation scheme the new senior officer roles as outline in the recommendations contained within this report, are likely to be evaluated no lower than grade 17 within the Councils grade structure.
59. Any changes in staffing and especially those that have a significant impact on individual employees should be the subject of an appropriate period of consultation with our recognised Trades Unions, and the staff affected.
60. This consultation will be meaningful and undertaken with a view to minimise impacts on individuals, mitigate the impacts in terms of redundancy, and where possible to avoid compulsory redundancies.
61. The Council as part of its workforce strategy has set challenging targets in terms of reflecting within the Council staffing structure, including at the most senior levels the diversity of our community. As part of the consultation process equality impact statements will be prepared at every stage to ensure the Council is fully aware of any impacts organisational change may have on diversity within the Council's staff groups.
62. Equality impact statements form a pivotal part of any meaningful consultation process on organisational change and are rightly subject to scrutiny by our Trades Unions.

REASONS FOR URGENCY

63. The proposals contained within this report are specifically geared to improvements in service and priority delivery through better alignment of functions and encouragement of integration of activity whilst achieving much needed savings through efficiency in management and support functions. In times of financial austerity and with the need to reduce the council's staffing numbers urgent decisions are required on the future senior management structure of the council. This report needs to be considered by cabinet in July 2015 because of the parallel need to move quickly on management structures as a result of the voluntary severance of a number of senior JNC posts under the enhanced voluntary redundancy scheme and to enable the formal consultation processes to commence

with a view to achieving the budget savings by the end of the financial year. Any delay in commencing this process could adversely impact on the potential annual budget savings for 2016/17.

REASONS FOR LATENESS

64. It has not been possible to circulate this report five clear days in advance of the meeting because the initial consultation period ended on 15 July 2015 which was after the despatch of the main agenda on Monday 13 July 2015. A total of 96 issues, comments and points of clarification were received from staff and 66 from the trade unions. The key themes from the consultation period have been collated and presented in this report.

BACKGROUND PAPERS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Current Structure Chart
Appendix 2	Proposed Structure Chart
Appendix 3	Rationale for Structural Changes

AUDIT TRAIL

Lead Officer	Chief Officer Team	
Report Author	Chief Officer Team	
Version	Final	
Dated	20 July 2015	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Director of Human Resources	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	20 July 2015	