

EAST HERTS COUNCIL

ANNUAL COUNCIL – 18 MAY 2005

REPORT BY EXECUTIVE DIRECTOR (HEAD OF PAID SERVICE)

15. REVIEW OF SENIOR MANAGEMENT ARRANGEMENTS

WARD(S) AFFECTED: None

'D' RECOMMENDATION - that (A) the post of Assistant Director (Human Resources) be deleted from the establishment;

(B) the post of Assistant Director (Development Control) be deleted from the establishment;

(C) the remaining six Assistant Director posts be re-designated "Director";

(D) the six Director portfolios as detailed at paragraph 7.0 of the report now submitted, be approved;

(E) the Directors be appointed under a generic job description and receive equal remuneration for the role.

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1.0 Purpose/Summary of Report

1.1 The report outlines proposed changes to the Council's senior management structure and informs Members about a number of initiatives aimed at strengthening capacity and improving performance of the organisation's workforce.

2.0 Contribution to the Council's Corporate Objectives

2.1 The proposals contribute to the Council's corporate priority to improve the health and sustainability of the organisation by ensuring that the appropriate capacity is resourced to manage the organisation and meet the Council's other priorities.

### 3.0 Background

- 3.1 In February 2002, Council agreed a new and radical management structure for the organisation, involving three Executive Directors, eight Assistant Directors, and 30 Heads of Service.
- 3.2 The new structure came into being in September 2002. Significant progress was made to improve the infrastructure of the organisation, enabling it to be better placed to improve service delivery. Having made the investment required to drive forward rapid change, and in light of the progress achieved, Members agreed in February 2004, to reduce the number of Executive Directors to two posts for an initial 12 month period.
- 3.3 Elsewhere on this Agenda, Members are being asked to continue the structure at Executive Director level. Whilst Executive Members consider their requirements at this management level, they also asked that a review of second and third tiers be undertaken. The aim of this review was to provide assurance that the authority has the capacity to manage the organisation with the correct balance of effectiveness and efficiency, as well as achieving Members' ambition of becoming an excellent authority.
- 3.4 In addition, these proposals address concerns raised by PKF in their review of management controls following the Hartham fraud in relation to inconsistency of job descriptions.
- 3.5 This review has also linked into a number of actions arising from the best value review of organisational development, such as a review of the Human Resources function, the introduction of a competency framework, and performance reward for staff.

### 4.0 Report

- 4.1 Compared to similar sized authorities, a management team of 10 posts is unusual if not unique. Whilst the improvement programme continues, the need for rapid change is not as great. The Comprehensive Performance Assessment rating of East Herts Council as a 'good' authority a year ago, the achievement of Investors in People for the whole organisation, together with the short-listing of the organisation as 'most improved council' in the prestigious national awards for local government, are testament to the progress achieved.

4.2 Whilst there is no room for complacency, the authority can afford to reduce its senior management capacity to a level more appropriate to its size and the task ahead – namely to consolidate the improvements and move the organisation to an ‘excellent’ rating by 2006/7.

4.3 However, there are two areas of business which have required more in-depth review.

## 5.0 Human Resources

5.1 Arising from the Best Value Review of organisational development, a consultant was employed to review the Human Resources function in the authority to ensure it had the capacity, skills and competency levels to achieve the newly adopted People Strategy.

5.2 Key recommendations of the review included:

- Creating a more strategic and proactive role for Human Resources which reflects its role in delivering the change agenda and Pay & Workforce Strategy.
- Clarify and simplify the Human Resources operational role.
- Develop a range of policy guidance to enable managers to recruit, manage and develop their staff effectively.
- Skill up service managers in basic management/Human Resource practice and change management techniques, including the formulation of a Manager Development Programme.
- Ensure the Human Resource service sees itself as a partner enabler, not a neutral “fence sitter” or mere adviser.
- On operational matters, monitor the consistency and fairness of the implementation of procedures, and review outcomes and the impact of decisions.
- Draw up clear rules on how confidentiality is defined and managed within Human Resources.
- Management information to be collected, collated and reported on more effectively and systematically.
- Retain some functions centrally, such as the administration of the recruitment process.
- Role of health & safety to be widened to increase contribution to policy development.
- Introduction of a regular training programme for Human Resources staff.

5.3 In order to progress these recommendations a revised structure was also proposed:

Existing Structure:

Assistant Director (Human Resources)  
Head of Human Resources  
Human Resources Officers (2FTE)  
Human Resource Assistants (2FTE)  
Health and Safety Officer

Proposed Structure:

Amalgamation of the existing Assistant Director and Head of Service posts to create a new Head of Service position located within another division;

Human Resource Officers – increase to 3 FTE with the following role descriptions:

- Research/New Initiatives, Policy Development and Monitoring & Evaluation
- Organisation Development and Training
- Employee Relations & Human Resources Advice (including performance management)

Human Resource Assistant – reduce to 1 FTE who should preferably be a Human Resources trainee  
Health and Safety Officer

5.4 Under these proposals both the Assistant Director and Head of Service posts are effectively redundant.

5.5 The Human Resources assistant will be redeployed to a currently funded vacant post.

5.6 The Assistant Director (Human Resources) is considering the option of redeployment into the vacant post of Assistant Director (Direct and Contract Services). This will be confirmed at the end of a trial period when both the member of staff and the Council will be able to decide whether the redeployment should be confirmed on a permanent basis. This period will commence if Members confirm that the substantive post of Assistant Director (Human Resources) is deleted from the establishment.

## 6.0 Development Control

- 6.1 Since February 2004, the Assistant Director (Regulatory Services) has taken on the management responsibilities for Development Control on an interim basis in addition to his substantive responsibilities.
- 6.2 At the time the Assistant Director assumed the interim management responsibilities, the Development Control service was failing and staff morale was very low.
- 6.3 The service has now turned around, achieving above target turnaround times on most decisions and the threat of intervention has abated. The third tier managers have responded very professionally to the interim arrangements and staff morale has improved immensely.
- 6.4 It is proposed that the responsibilities of these two posts be merged and the Assistant Director (Regulatory Services) continues with the management arrangements for Development Control on a permanent basis.
- 6.5 One of the Development Control Managers has requested early retirement and discussions are continuing to determine if this request can be met. If it can, then a new Head of Development Control post will be created at a more senior level than the existing Development Control Manager post.
- 6.6 As Members are aware there have been continuing difficulties in recruiting and retaining professionally qualified Development Control staff.
- 6.7 Proposals are currently being consulted upon with a view to introduce a more sustainable service and to deliver improvements within a career development/hierarchical structure. This would provide promotional incentives to retain and recruit qualified Development Control staff. It would move from a flat structure to a structure which clearly provides a career progression for those who are suitably qualified and experienced who wish to advance within their profession and the organisation.
- 6.8 Once the outcome of the consultation has been assessed recommendations will be made to further refine the staffing arrangements within Development Control.

## 7.0 Divisional Structure

7.1 The proposals concerning Human Resources and Development Control – which had been divisions within their own right since reorganisation in 2002 - provide the opportunity to reduce the number of divisions from eight to six in line with the rationale at 4.1.

7.2 The following divisions and associated service portfolios are being proposed:

|                              |   |
|------------------------------|---|
| Organisational Development   | Communications<br>Business Support<br>Customer Services<br>Human Resources              |
| Direct and Contract Services | Direct Services<br>Contract Services<br>Leisure and Recreation                          |
| Corporate Governance         | Legal Services<br>Internal Audit<br>Democratic Services                                 |
| Policy & Performance         | Planning Policy<br>Housing & Community<br>Development<br>Performance                    |
| Resources                    | Accountancy<br>Benefits<br>Council Tax<br>Property                                      |
| Regulatory Services          | Development Control<br>Building Control<br>Environmental Health<br>Community Protection |

7.3 It is proposed that the designation of Assistant Directors managing the above six portfolios be changed to 'Directors'. The reason for this is to try to overcome the confusion amongst staff, Members and stakeholders concerning the unusual management structure in East Herts Council. It is more common for the designation of 'Assistant Director' to be used for third tier posts; the designation of 'Director' will more accurately reflect their role as second tier officers.

7.4 In addition, a generic job description is being introduced for these six posts to better reflect the common leadership skills and competencies required at this senior level.

7.5 To reflect this change, and as there is a better balance between the divisions in terms of scope and scale of responsibilities, it is also proposed that equitable remuneration is awarded to the six 'Directors'.

## 8.0 Other changes in Management arrangements

8.1 In addition to the changes within Human Resources and Development Control, Members will be interested to note:

- Payroll, previously managed by the Assistant Director Human Resources, will now be overseen by the Head of Accountancy;
- Internal Audit is moving from the Resources division to a re-defined 'Corporate Governance' division;
- The former post of Head of Emergency Planning has moved to become part of the new Community Protection service within the Regulatory Services division;
- The vacant post of Head of Economic and Cultural Development has been deleted with the economic development function being incorporated within Planning Policy, and cultural development enhancing the capacity of the Community Development team within Policy and Performance.

8.2 The remaining 21 Heads of Service have been consulted on moving to generic job descriptions which help to recognise their role as integral to the senior management and strategic leadership of the organisation. The new job description has been evaluated and will achieve a closer banding between the remaining Heads of Service and, in order to assist development opportunities within the organisation, reduce the gap between these posts and those of the existing Assistant Directors.

8.2 Alongside this review, for Members information the authority has been developing a Pay and Workforce Strategy under the requirements of the national three year pay agreement.

8.3 As part of this Strategy, we are defining roles within the organisation in the context of 'job families' to move away from the traditional approach that focused heavily on the gradings of posts. There will be four job families – strategic management, business support,

customer services, and consultancy support – into which all staff will be allocated.

- 8.4 For each job family, priorities will be given as to the level of competency required to achieve successfully the role. A 'Competency Framework' has been developed for this purpose which will enhance our existing performance and development review scheme. Managers and staff will engage in discussion not only about "what" has been achieved, but using the competencies which reflect the values of the organisation, they will also be discussing 'how' the job has been done.
- 8.5 In order to reflect a desire for a more performance driven workforce, the existing 5% remuneration normally paid to staff who have worked for East Herts longer than three years, has been reviewed. From 2006, additional remuneration will only be paid to those staff achieving acceptable performance in both their personal objectives and the assigned competencies for their role. No additional reward will be given to staff whose performance falls short of expectations, but greater reward will be available for those exceeding or excelling in their role.

## 9.0 Consultation

- 9.1 Extensive consultation with staff affected has taken place over the last three months. Unison has also been consulted, including three meetings with Executive Directors on the proposals. The arrangements have also been the subject of 'core brief' and staff briefings to ensure all staff are kept informed about possible changes.
- 9.2 For those staff potentially at risk of redundancy, full adherence to the Council's policies and procedures has been achieved.

## 10.0 Legal Implications

- 10.1 Should Council support the recommendations contained within this report there will be implications for the Council's constitution which are dealt with later on the agenda. The Council needs to be satisfied that the proposals meet the Council's objectives and they are within the Council's powers.



## 11.0 Financial Implications

11.1 The following costs are on a first full year basis. If this is implemented part way through a year, adjustments will be necessary.

11.2 The savings accruing from the deletion of the posts of Assistant Director Development Control and Assistant Director (Human Resources) is £160,000\*.

11.3 It is proposed that these savings are redirected to fund changes to staffing arrangements as set out in this report. This redirection of resources is as follows:

|   |          |
|---|----------|
| <u>Development Control (as set out at 6.0)</u><br>(includes upgrade of four planning officer posts to Principal Planning Officers, upgrading of two remaining Development Control Managers; potential new Head of Development Control funded substantially from the possible saving of one Development Control Manager) | £30,000* |
| <u>Provisional Early Retirement of Development Control Manager</u>  | £8,500   |
| <u>Human Resources (as set out at 5.0)</u><br>Includes new Head of service funded substantially from saving from deletion of current Head of Human Resources; additional Human Resources Officer; saving from deletion of Human Resources Assistant post).  | £31,000* |
| <u>Early Retirement of Head of Human Resources</u>  |          |
| Minimum Entitlement   | £38,000  |
| Maximum Entitlement   | £73,500  |
| <u>Equity of remuneration for remaining six Directors</u>   | £5,700*  |
| <u>Equity of remuneration for Heads of Service</u><br>(Upgrading of eight Heads of Service)   | £43,000* |

11.4 As set out at paragraph 5.6, the Assistant Director (Human Resources) is pursuing a redeployment option. If, after a period of three months, the trial period has not been successful for either party, redundancy costs will be incurred. Under the Council's policy, the range of severance payments is as follows:

|         |         |
|---------|---------|
| Minimum | £18,480 |
| Maximum | £79,900 |

- 11.5 The final severance payments for those postholders opting for early retirement or at risk of redundancy are a matter for the Human Resources Sub-Committee.
- 11.6 Overall costs are dependent on both the decisions of that sub-committee as well as when in the year the changes, if agreed, take place.
- 11.7 Those costs set out above are based on a first year total costs. If maximum entitlements were awarded and if the Assistant Director were made redundant then a budget increase of £111,600 would occur.
- 11.8 If minimum entitlements were awarded and the Assistant Director (Human Resources) were successfully re-deployed, a budget saving of £3,800 would be made.
- 11.9 The figures identified by a \* are permanent budget changes that affect the base. Thus, after the severance payments are made, a saving of at least £50,300 is achieved.
- 11.10 Members should also note that the Authority has 1/3<sup>rd</sup> share in a house that is worth at the current valuation approximately £350k. The repayment arrangements will be recommended to the Human Resources sub-committee should it be considering severance arrangements for the early retirement of the Development Control Manager. Officers would expect the repayments to be concluded by June 2007. Therefore, subject to the decision of the Human Resources sub-committee, the extended period of repayment of the capital receipt would result in a possible loss of interest of approximately £7,700. However, this is not a sum anticipated for repayment; therefore current budget predictions do not include this growth. In addition it is not unreasonable to expect the value of the asset to rise over this period, thereby negating at least some of the lost interest.
- 12.0 Human Resource Implications
- 12.1 These comments have been provided by an external Human Resources adviser who has supported officers managing the consultations and change process with staff.

- 12.2 There are three key areas of implication for Human Resources: redundancy, recruitment and refocusing Human Resources' services.
- 12.3 The proposals entail two potential redundancies: The Assistant Director (Human Resources) and the Head of Human Resources.
- (i) The Assistant Director has accepted an offer of redeployment, subject to a trial period of three months, during which time he will be able to assess the suitability of the post and the Council will be able to assess his suitability for the post. If either party decides that the trial period has not been successful, dismissal on the grounds of redundancy will proceed.
  - (ii) The Head of Human Resources has rejected an offer of redeployment on the grounds that it does not constitute suitable alternative employment, as defined in legislation, preferring to opt for redundancy. We accept his decision and will be giving him notice of termination on the grounds of redundancy.
- 12.4 A new Head of Service (Human Resources) will need to be recruited. It has been agreed with the existing Head of Human Resources to defer his last day of service to allow recruitment to the new post to proceed with minimum disruption to the leadership of the Human Resources function.
- 12.5 As set out in the report, changes to the structure of the Human Resources service are being made to facilitate the refocusing of Human Resources to better support the Council's strategic objectives and day-to-day operational management.
- 13.0 Risk Management Implications
- 13.1 The reduction from eleven senior managers to eight in less than two years creates the potential risk that such a reduction in management capacity may expose the organisation to falling performance. However, the proposals represent a more sustainable position regarding an appropriate level of resource for an authority of this size and reduces the opportunity for external criticism of management costs. Also, redirection into third tier mitigates the risk as we are investing in 'growing our own' leadership team of tomorrow.

Background Papers

Council papers of February 2002 and February 2004

Consultant's Report: Review of East Herts Council's HR Function –  
January 04

Contact Member: Councillor Mike Carver, Leader

Contact Officer: Rachel Stopard, Executive Director (Head of Paid  
Service) ext. 1403