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| <b>Report of</b>      | <b>Chief Executive</b>               | <b>Author</b>   | <b>Adrian Pritchard</b> |
| <b>Title</b>          | <b>Senior Management Restructure</b> |  | <b>282326</b>           |
| <b>Wards affected</b> | Not Applicable                       |   |                         |

**To consider a senior management restructuring of the Council to ensure it is fit for purpose for the way of operating over the next 3-5 years.**

## **1. Decisions Required**

- 1.1 Approve the senior management restructuring proposals contained in this report and its appendices to begin the 30 day consultation period.
- 1.2 Refer this report to the Scrutiny Panel for their comments as part of the consultation process.
- 1.3 Delegate to the Chief Executive, in consultation with the Leader of the Council, any minor structural changes following the formal consultation. Should changes be sought from the proposal to the position of Chief Executive then a formal decision will be taken by the Leader of the Council.
- 1.4 A further report to Cabinet be presented on the most effective Company structure for the commercial ventures together with a relevant business case.
- 1.5 Agree that the Chief Executive implements the new structure applying the normal human resources policies of the Council.
- 1.6 Allow the Chief Executive to determine the most appropriate arrangement (TUPE or secondment) for existing staff in CBC to work in the new commercial ventures.
- 1.7 Include the £208k savings in 2018/2019 as part of the medium term financial forecast and to utilise some of the existing 'redundancy reserve' for the one off cost of implementation.

## **2. Reasons for Decisions**

- 2.1 The Council is progressing a number of commercial type approaches which impinge of the operation of the Senior Management Team. In addition, the Council faces further budget reductions and a more efficient senior management structure can contribute to its savings target.

### **3. Alternative Options**

- 3.1 To make no changes to the senior management whilst agreeing, on an ad-hoc basis company structures for specific opportunities.

### **4. Supporting Information**

#### **4.1 Context**

- 4.1.1 The current senior management structure was introduced in early 2013. It was necessary to build on the work of individual fundamental service reviews each of which drove out cost or drove in income. It also set up the concept of certain services and assets being managed in a more business-like and commercial manner still within a public sector ethos.
- 4.1.2 From 2010 onwards the Borough Council has seen a significant reduction in its financial resources from Government; a change to greater volatility in its financial base through new homes bonus and business rate retention; a freezing of Council Tax over this period and a fluctuation in income streams due to the performance of the economy.
- 4.1.3 The current public sector austerity measures are set to continue and intensify well beyond 2020 given the Chancellor's recent budget announcements. Therefore the Council needs again to consider changes to its senior management arrangements to prepare for the next set of challenges, to make even greater efficiency gains and to increase its income lines still further.

#### **4.2 Current Senior Management Arrangements**

- 4.2.1 The current senior management arrangements are attached at Appendix 1 to this report.
- 4.2.2 They consist of an Executive Management Team of Chief Executive, Executive Director Customer and Communities, Strategic Director Place and Commercial and Chief Operating Officer. In addition there are 6 Heads of Service roles which, together with the Executive Management, make up the senior management of the Authority.
- 4.2.3 The cost of these 10 posts including salary, employer pension and National Insurance costs, is £1.129m

#### **4.3 Rationale for Change**

- 4.3.1 As financial constraints on local authorities specifically and the public sector more generally continue over the next 5 to 10 years then local authorities need to look towards more self-sufficiency in generating income and being more efficient in service delivery. This then enables the focus of resources to be on providing services to those in most need in society together with continuation of the more universal local government services provided to all residents within the district.
- 4.3.2 Therefore there needs to be a renewed emphasis on the more commercial services to grow business and increase income and profitability. Equally important is the use of our assets for income generating purposes and a greater need to concentrate on creating and taking opportunities in the commercial market place. In addition financial borrowing to invest in more lucrative business and property investments is another area to help generate much needed revenue funding for the Council. Much of this we have been

doing to date but a more appropriate company and senior management structure provides for the focus and expertise to deliver even more fully on the commercial aspects of the Council's financial needs.

- 4.3.3 The remaining services can be grouped somewhat differently within the Council structure to constantly challenge the way in which services are provided; continue the excellent evolution of customer services embracing even further the technological advances being developed in the market place; and to enhance the perhaps more limited opportunities of income generation from within those more 'traditional' local government services.
- 4.3.4 In any business or organisation the incubation of services or business developments are what keeps businesses in or ahead of the game. Our Fundamental Service Reviews were a prime example of this and so the new arrangements will allow for further fundamental reviews of our service groupings and the aim to resource a commercial incubation resource to seek greater income opportunities or to re-engineer services to secure more commercial service proposals.
- 4.3.5 In addition, there are services for which demand and costs are increasing significantly. In County Councils this tends to be in the social care area and in districts this tends to be in the housing and homelessness area. In order to manage and potentially reduce revenue costs for districts there is the need to provide more affordable housing.
- 4.3.6 So an approach being adopted by some councils is to use assets to build properties some of which are for sale, some for market rent and some for social affordable rent outside of the constraints of the Housing Revenue Account (HRA). Colchester Borough Council (CBC) has agreed in principle to adopt this approach. As this is solely housing related and the Council already has its own Arm's Length Management Company (ALMO) it seems only sensible to explore with the Colchester Borough Homes Board including the senior management capacity and capability of Colchester Borough Homes in the senior management changes being proposed.

#### **4.4 Company Structure**

- 4.4.1 The Borough Council has a well-established company structure in Colchester Borough Homes. It also has a smaller but equally focussed Colchester Community Stadium Company which specifically concentrates its efforts on the Community Stadium activities and both the commercial and community benefits derived from its use.
- 4.4.2 The establishment of company arrangements has a number of advantages over continuing within the local authority structure. These include:-
- Clear focus on its remit
  - Quicker decision making processes
  - Ability to take advantage of business opportunities as they arise
  - Scope to change the employment package offered
  - Ability to attract different skills and workforce
  - Accelerating the different culture required
  - Better tracking and response to market changes
  - Integration into the commercial sectors' networking opportunities

A wholly owned Local Authority Company allows appropriate democratic control retaining a public sector ethos but enables it the freedom to operate more commercially and respond to the needs of its customers and the business sectors in which it operates.

4.4.3. There are some potential financial implications relating to creating and operating a company including changes to VAT requirements and corporation tax on profits made. Consideration will be given to how these costs can be mitigated through the company structure.

4.4.4. Part of the senior management restructure is to create a company which can operate in a more commercial manner providing commercial services and utilising assets in a commercial environment.

#### **4.5. Proposed Senior Management Structure**

4.5.1. With the continuing ambitious plans of the Council I am proposing to continue with the existing number of executive management posts, albeit with a different configuration of services for which they have strategic responsibility, to delete the 6 posts of Head of Service and to introduce 4 posts of Assistant Director.

4.5.2. I propose a Strategic Director of Customer and Relationships responsible for all front end customer services and operations, together with strategic responsibility for external partnerships and as importantly external relationships. Partnership working is already a tenor of how we operate but as public sector resources continue to come under pressure then working in partnership with others to deliver services and deal with complex issues will become paramount to our way of working.

4.5.3. The Strategic Director will have a post of Assistant Director to manage much of the service and to continue the partnership working which is being forged with Essex County Council on the customer hub and spokes work; Basildon Council on the Customer Enterprise Partnership (CEP); and many other partnership arrangements already in operation or being explored for the future.

4.5.4. As part of the last senior management restructure I brought together most of the systems, processes and administration across the Council into the Professional Support Unit (PSU). I am proposing that the Strategic Director of Customer and Relationships with the Assistant Director, Customers, takes responsibility for the PSU and its activities both for our internal and external customers. The service can then accelerate the work across the organisation of customer journeys and identify the most significant next set of customer journeys to simplify for both cost reduction purposes but also for customer and resident usage purposes. It can also bring that learning to bear for internal customer activities and processes.

4.5.5. The second of the executive management posts is that of Strategic Director of Policy and Place. The role will combine the policy work needed for the place being the borough as a whole but also the policy work needed within the organisation to ensure we have the right resources to deliver to our residents, businesses and tourists. Effectively the financial and corporate functions of the Council. The Strategic Director will be Colchester's senior manager acting as the client for the ambitious Garden Settlements programme, the Colchester representative on delivery vehicles for the Colchester related

sites and the client role responsible for the performance of the Colchester Community Stadium Company.

- 4.5.6. I am proposing to bring the two sets of planning posts back into one team under this Strategic Director role. Having served its purpose of splitting out the various planning teams and seeing performance consistently rise to a very high level, the challenges the Planning service now face would be better tackled again as one team. It is also sensible to put Building Control within this combination of services following the disappointing outcome to the Essex shared service proposal. Building Control can seek to work even more closely with Planning and look to pick up business on the back of planning permissions approved.
- 4.5.7. The Strategic Director of Policy and Place will have one post of Assistant Director to manage many of these services; to act as the client for the work of Colchester Borough Homes; and to enhance the policy work needed for the organisation and its response to future government legislation and social policy.
- 4.5.8. The third post within the Executive Management Team is that of the Chief Operating Officer. It will retain its current strategic responsibilities for the Medium Term Financial Plan, budget strategy, borough-wide operational and zone-based services but will now include Regulatory Services minus Planning which has been moved to Policy and Place.
- 4.5.9. The Chief Operating Officer will have two Assistant Director posts who will manage between them the main services delivered by the Council. One Assistant Director will be responsible for Zones, Museums, Arts and Culture, Community Services and Bereavement Services whilst the other Assistant Director will be responsible for Environmental Health Services, Licensing and Land Charges, Waste Services, North Essex Parking Partnership and Elections and Registrations. Bereavement Services already has 95% of the customer base within its 'catchment area' and is progressing well the additional service of memorials. It may have other business opportunities but is not likely to identify large sums of additional income. On that basis it currently belongs back within the main services provided by the Council rather than continuing as part of the Commercial Services.
- 4.5.10. The proposed senior management structure is shown at Appendix 2.
- 4.5.11. As part of the way forward once the senior management positions have been filled we will commence further efficiency reviews of service areas, using the principles of previous Fundamental Service Reviews to again drive out inefficiency and costs to assist with our future savings targets.

#### **4.6. Homes and Housing Development**

- 4.6.1. The Borough Council has already established Colchester Borough Homes which is its management company for the housing stock owned by the Council together with a range of other housing services performed by CBH on behalf of CBC. CBH was also instrumental in project managing the process to deliver the first 34 Council properties from within the HRA.
- 4.6.2. As the Borough Council has agreed in principle to consider building further properties from the General Fund and using Council assets it seems only logical to utilise the expertise and senior management capacity within CBH to do so on the Council's behalf.

It will need to be a separate company but the Chief Executive of CBH could provide a leadership resource, albeit on a pro rata basis to the new Housing company; be provided with the necessary staffing and budgetary resources to kick start this and to second CBC and CBH staff into the separate company for expertise or additional resources, thus sharing costs. Additional expertise can be bought in as required, as happened when CBH project managed the build of the 34 HRA properties.

- 4.6.3. The Colchester Housing Development Company would be part of the suite of companies or company structure to ensure it operates in line with Council philosophy and delivers on the Council's priorities.

#### **4.7. Colchester Commercial Services**

- 4.7.1. As stated earlier in this report, part of the future is for local authorities to be more self-sufficient and to earn greater income and 'profitability' in order to continue to provide the services to our communities expected of us. Given this imperative the proposal is to create a wholly owned Local Authority Company known as Colchester Commercial.
- 4.7.2. Its functions will be split into firstly an operation of commercial development consisting of business growth for the borough as a whole; commercial development utilising some of the Council's assets to drive in significant revenue funding; and the Estates function provided for within the company but on behalf of the Borough Council estate as a whole.
- 4.7.3. Its second operation will be that of Commercial Services where it will manage and deliver the future income targets for the Sport and Leisure activities across the Borough, the recently launched Events service, the monitoring and response business and an aim to provide in the future a commercial incubation resource. This resource will be used to look at the functions within the Borough Council which could be improved in terms of income lines (e.g. Bereavement services; Planning; etc) and also to consider realigning services which could potentially provide a new and income generating service for residents or organisations (e.g. care closer to home business opportunity). The commercial incubation resource would work with existing managers and services across all areas of the Council's business and undertake a targeted programme of time limited reviews of extending or creating further future business income. It would operate on similar principles to that of our previous Fundamental Service Reviews but looking at the commercial income opportunities. The new company would need to generate further income to resource this commercial incubation service.
- 4.7.4. It has yet to be finally decided on the operating model and management structure for operating the North Colchester sports development facilities being planned for the North Colchester development. If it is decided to operate it in-house (and therefore work alongside and compliment that of our existing sports facilities) then it would be easily incorporated into the proposed Commercial Services functions. See Appendix 3.
- 4.7.5. It is proposed that the Chief Executive of the Borough Council is also Chief Executive of the Colchester Commercial Company to ensure the Company retains its public sector ethos and recognises the priorities of the Council in its work programme. The Colchester Commercial Company will have a full time Assistant Director post, at the same level as that of the new posts proposed in the Borough Council structure to be responsible for the delivery of income targets agreed with the Council. By proposing the post of Assistant

Director it is possible to delete the post of Economic Growth manager from the existing CBC structure.

- 4.7.6. It is proposed that the Chief Executive of the Borough Council is employed 4 days a week in that role and 1 day a week on a separate contract by the Commercial Company. Savings can then be made to employer pension costs together with reducing the full time role of PA to the Chief Executive to a 4 day a week post. In addition to the Chief Executive, it would be appropriate, when necessary to second the Strategic Director, Policy and Place to ensure expertise on commercial and housing delivery, alongside that of the garden settlements and joint venture companies.
- 4.7.7. The proposed structure of the Colchester Commercial Company is shown at Appendix 3 together with the Colchester Housing Development Company.

#### **4.8. Financials**

- 4.8.1. The current cost of the senior management structure is £1.129m. The proposed savings of the equivalent of 1 Head of Service post; the deletion of the post of Economic Growth Manager; and changes to the post of Chief Executive and its PA role amount to a total recurring saving of £208k.
- 4.8.2. There will potentially be one off costs depending upon which, if any, managers are not appointed to the new structure. These can be funded by the 'redundancy reserve' held in balances which is provided for such restructurings. One off costs are estimated in the range from £100k to £150k. By utilising the 'redundancy reserve' the savings of £208k can be taken immediately and will contribute to the 2018/2019 budget savings target.
- 4.8.3. There are few costs in setting up company structures. However as the proposed company or companies will need to be registered at Companies House they will be liable for corporation tax and some VAT accounting arrangements may differ to that of the Council. The exact nature of the company set up and the way in which it operates will be carefully considered to ensure it is the most tax efficient it can be. Being a private company also gives it the opportunity to operate differently than within the local government family and to consider how to reduce running costs which the local authority would find difficult to do. Therefore, expert advice will be sought on the most tax-efficient structure for the commercial operations (Housing Development; Commercial Services; potential Heat Exchange) and report back to Cabinet.
- 4.8.4. A business case is required to support the formal creation of a company and this will be brought back to Cabinet alongside proposed company structure arrangements.

#### **4.9. Governance**

- 4.9.1. The final configuration of the Commercial company structure(s) will require Company board directors. These will be defined as the Commercial company structure(s) are determined. The current CBC Trading Board will also need to be revisited as a number of its functions will now be the responsibility of the Commercial company board(s). In addition there will need to be a close working relationship between the existing Chair and Board of CBH and that of the board for the housing development venture.

#### **4.10. Conclusion**

4.10.1. This is about the future operation of Colchester Borough Council within the newly defined public sector. It is about being more self-sufficient in order to continue to provide quality services to the communities we serve and to provide quality tailored services to those residents with the most complex needs in our society. This new and less traditional set of structures allows the Borough Council the best opportunity to rise to the challenges facing it from an increasing population and from the continuing financial constraints being placed on local government and the public sector generally.

4.11. **Appendices:**

Appendix 1: Current CBC Structure

Appendix 2: Proposed CBC Structure

Appendix 3: Proposed Colchester Commercial Ventures Structure

Appendix 4: CBC Senior Management Restructure Savings

**5. Strategic Plan References**

5.1 The strategic plan sets out the direction of the Borough and Council in the medium term. This senior management restructuring ensures implementation of the plan and capacity in the areas of priority.

**6. Consultation**

6.1 There is a 30 day consultation with staff affected as part of our human resource policies which will be completed once approval of the report has been obtained.

**7. Publicity Considerations**

7.1 There are no public publicity considerations but the changes will be widely circulated within the organisation and to partner agencies.

**8. Financial implications**

8.1 The proposals identify an ongoing saving of £208k per annum. This will be used to help close the 2018/19 budget savings figure.

8.2. Costs can only be determined once decisions on existing staff affected are taken. However, it is estimated that the one off cost of redundancy and pension strain would be in the region of £100k to £150k. This total one off cost can be found from within the corporate redundancy budget held centrally showing the savings achieved to be taken immediately.

8.3. An assessment of the financial implications of operating a company structure has started in a number of areas such as the proposed housing company. More work is required to develop a business case for the wider commercial services and this will be presented alongside the proposed company arrangements.

**9. Equality, Diversity and Human Rights implications**

9.1 These considerations are enriched in the Council's human resource policies and procedures which will be followed in implementing the proposals.

**10. Community Safety Implications**

10.1 There are none.

**11. Health and Safety Implications**

11.1 There are none.

**12. Risk Management Implications**

12.1 If this structure is not to be adopted then senior management arrangements will be added to an on ad-hoc basis without being the most efficient and effective structure going forward.