

DERBYSHIRE COUNTY COUNCIL

CABINET

22 September 2015

Report of the Chief Executive

**ORGANISATIONAL REVIEW OF THE COUNCIL'S SENIOR
MANAGEMENT STRUCTURE – UPDATE AND NEXT STEPS
(Strategic Policy, Economic Development and Budget)**

1 Purpose of the Report To update Cabinet on the ongoing review of the Council's senior management structures and to seek approval for the next steps of the programme, in particular the future delivery of corporate services and the outline Innovations and Transformation Programme.

2 Information and Analysis**2.1 Background**

The County Council is facing extraordinary and unprecedented budget pressures, with budget cuts of £157 million over the five year period to March 2018 on top of the £70 million cuts in the previous three years. With this level of budget reductions, and deeper cuts anticipated from the government's autumn Comprehensive Spending Review, the Council cannot afford to continue to operate in the same way, fund all of its services and protect all of its jobs.

The table below shows the current Five Year Financial Plan reduction targets for the Council; however it is anticipated that the total value of the cuts for the same period could increase by a further £20 million due to the potential costs associated with the government's Emergency Budget of 8 July 2015, such as the implementation of the national living wage.

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	Total £m
Budget reductions target	41.455	19.250	21.210	19.132	101.047

These figures will be updated following the publication of the governments Comprehensive Spending Review, anticipated 25 November 2015.

As part of the Council's review of its organisational structures, Cabinet approved reports in November 2013 and June 2014 that outlined proposals to review and implement changes to the senior management structure. The reports outlined the challenges facing the Council and described the principles and issues moving forward. With the ongoing budget position, it is essential that the Council continues to examine all management structures and costs as part of a four year programme.

This report highlights key actions and progress made to date and also sets out the next steps, particularly in relation to reviewing corporate services and developing the Innovations and Transformation Programme.

2.2 Priorities

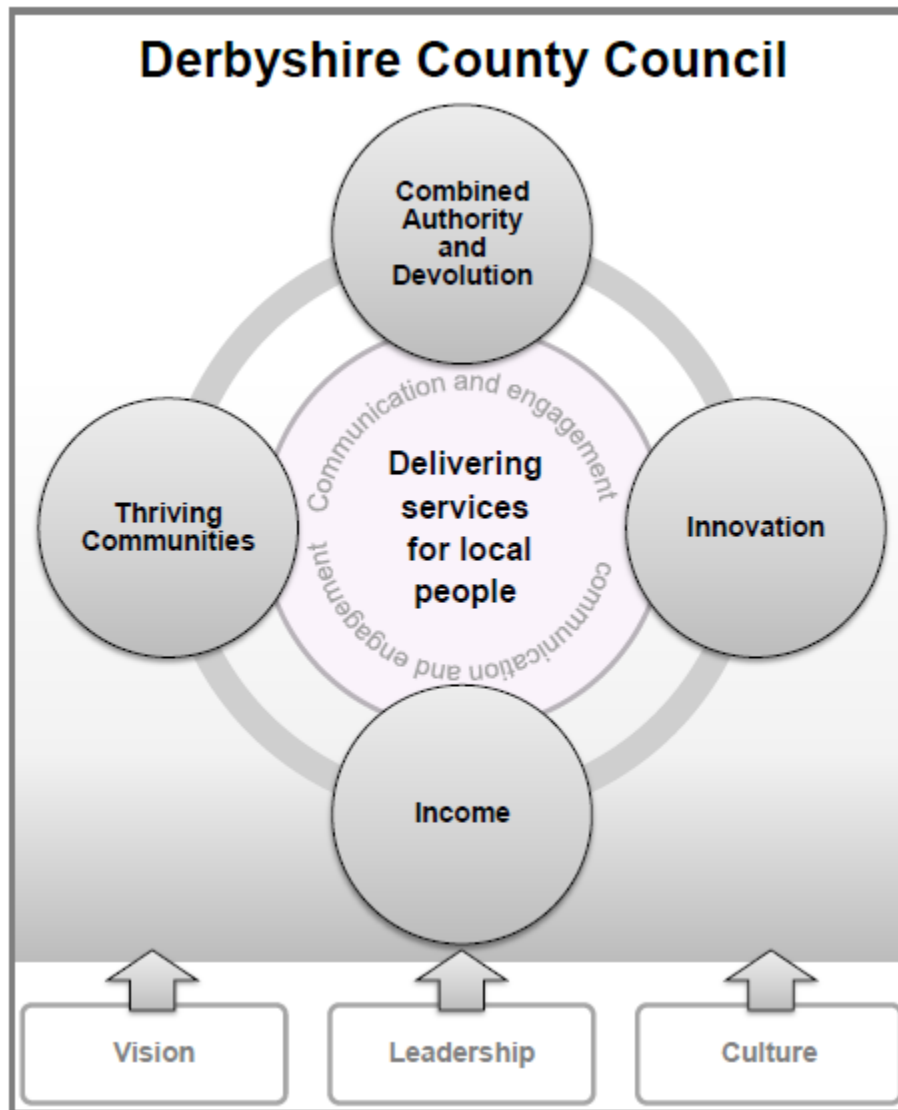
Whilst the financial position will remain challenging, it is essential that the Council continues to remain positive and ambitious for Derbyshire people and communities.

The diagram below illustrates the Council's priorities. At the centre of the Council are the services delivered to local people but, with less money available, how the Council delivers services will need to be done differently. To help achieve this there will be four priorities moving forward:

- *Combined Authority and Devolution* – to work with other councils to seize opportunities for greater control over funding and to maximise benefits for Derbyshire, in particular around key areas of economic development, regeneration and transport
- *Innovation and Transformation* – to explore ways in which the Council can work differently
- *Thriving Communities* – to work with local communities and key public sector partners in those communities to build confidence and resilience
- *Income* – to generate new income streams to help the Council be less reliant on central government funding, such as income generation from solar energy, the establishment of a development company and opportunities to exploit European Funds

This will all need to have a robust programme of communications and engagement with internal and external stakeholders to build a shared vision and ambition for Derbyshire whilst developing a common understanding about the decisions the Council will make over the coming years.

This approach will require building blocks of a shared vision for the Council, strong, agile leadership to help the Council implement the necessary changes and meet its ambition for the future and a culture of being more creative, innovative and challenging.



2.3 Requirements

The requirements of the Council's senior managers, outlined in previous reports, remain essential if the Council is to deliver its vision and ambitions. In reality, with the developing Combined Authority and Devolution agendas which would give new powers and opportunities to the Council, these are fundamental.

- *Leadership*: Strong, aspirational senior management leadership working collaboratively as a Corporate Management Team to have the vision to plan and reshape services in the future to deliver the political priorities, in partnership with other organisations
- *One Team Approach*: One Derbyshire, one Council, one team approach with a focus on the leadership of Derbyshire as the whole place working in partnership with others in a consistent, coherent and robust manner that makes a difference
- *Cultural Change*: Innovation, creativity and transforming services; developing and implementing new solutions to new challenges

- The *Four As*: Acuity (to see what's round the corner over the coming 3 to 5 years); Alignment (to make sure the Council aligns its services and resources to deliver key priorities); Agility (to be able to respond and change quickly); and Adaptability (to be able to adapt to changing circumstances)
- *Communications and Engagement*: Effective and coordinated communication and engagement with employees, citizens, service users, partners and stakeholders
- *Community Focus*: Links across departments, partner organisations and communities to ensure robust coordination of activities to delivery priorities and outcomes on a needs basis, whilst getting the most value for the resources and investment

2.4 Principles and Issues

As stated in previous reports, the review of senior management is part of the review of structures throughout the organisation which aims to:

- Establish slimmer, flatter, consistent structures and remove one on one reporting
- Ensure an agile and fit for purpose management structure, in line with developments and changes facing local government
- Align corporate services to facilitate and enable front line service delivery
- Reduce management costs and overheads
- Develop the principle of posts being self-financing, where appropriate
- Delete additional deputy allowance payments, with deputising giving an opportunity for development and being an expected part of any senior management role within the Council. This will be the subject to a future report to Cabinet.

These requirements, principles and issues are still valid, in fact they are more important in delivering for Derbyshire's future and the priorities outlined above.

2.5 Structure

The structure set out and approved by Cabinet in November 2013 is now in place and comprises five Strategic Directors and the Assistant Chief Executive providing strategic leadership in conjunction with the Chief Executive, Leader and Cabinet Members and reflects the political structures of:

- Strategic Policy, Economic Development and Budget
- Adult Social Care
- Children and Young People
- Highways, Transport and Infrastructure
- Health and Communities
- Council Services

Approval is sought to rename the Children and Younger Adults Department (CAYA) to Children's Services and the Strategic Director to Strategic Director of Children's Services.

2.6 Departmental Savings

In the report approved by Cabinet on 2 June 2014, departments identified savings targets, through management reviews, for 2014-15 and for the following two year period (2015-16 to 2016-17).

It was recognised that departments had realised different levels of management savings at different times. Two departments had merged, the post of Strategic Director for Corporate Resources had been re-established and responsibilities for some core functions had moved. As a consequence, departments entered this phase of the review from different positions, which are reflected in the different levels of savings identified. However, the aim is to move towards a more consistent model over time.

Economy, Transport and Environment, Children and Younger Adults and Health and Communities Departments have all now undertaken reviews of their senior management in line with the agreed principle of a three Service Director model, where appropriate. Through the redefining of some senior management posts, redistribution of responsibilities and consolidation of some services and duties, departments achieved the following savings for 2014/15.

Department	Savings Target 2014/15	Savings Achieved 2014/15
Adult Care	£56,488	£119,028
Children and Younger Adults	£199,193	£195,858
Economy, Transport and Environment	£159,172	£136,137
Health and Communities	£457,106	£435,399
Corporate Resources	£185,327	£185,327
Chief Executive's Office	£141,741	£141,741
Savings Identified	£1,057,286	£1,213,490

A review of senior management within the Adult Care Department is currently taking place, the recommendations from which will be presented to Cabinet in the autumn.

The review of the Corporate Resources Department has begun with the redesign of the Property Services Division. Proposals for the next phases are detailed below.

Departments will continue to review and refine their management structures, to meet the principles set out above and the Council's organisational design principles. Moving forward, departments will also explore further measures to realise savings, align resources to meet priorities whilst maintaining

management skills and capacity. Potential savings from management reviews for the next two years have been identified by departments; detailed work is continuing to confirm these and identify any further savings over this period.

Departments have indicated further potential savings of approximately £1 million, as follows, although these values may change on completion of the reviews. Departments are working on proposals to achieve these additional savings from management reviews, which will be detailed in the next progress report to Cabinet later in the autumn.

Department	Savings Target 2015-16 to 2016-17
Adult Care	£234,149
Children and Younger Adults	£500,000
Economy, Transport and Environment	£0
Health and Communities	£143,000
Corporate Resources	£144,700
Chief Executive's Office	£0
Savings Identified	£1,021,849

Through the redistribution and amalgamation of responsibilities some posts may, as part of the formal job evaluation processes, change grade or new posts may be required, which could result in an increase in costs, although this will be a small proportion of the value of the total savings identified above.

2.7 Future Delivery of Corporate Services

Services provided by Corporate Resources Department (CRD), and corporate functions provided by departments, will be critical in the delivery of the Council Plan and in enabling service departments to sustain front line delivery whilst meeting the challenging budget savings. As budgets and resources reduce it is becoming increasingly important to ensure that these limited resources are used as efficiently and effectively as possible to deliver the Council's ambitions and priorities.

A comprehensive benchmarking exercise completed in 2014-15 of CRD services and those delivered by departments shows that all areas cost benchmark below national averages (in the case of ICT and payroll at less than half that national average). Further work within CRD is following the principles set out in the departmental Service Plan, which include:

- A service redesign programme, including looking at structures and at business processes
- Designing and implementing a published performance framework across CRD, leading to the negotiation and agreement of Service level Agreements (SLAs) and service standards across the Department

- Designing a leadership development framework and programme, identifying key leadership competencies and supporting the development of the 'Derbyshire Manager' – the key competencies our managers will need to meet the Council's challenging agenda
- Developing a new strategy for ICT, reflecting the findings of a recent survey of users and the Council's forward priorities
- Developing a new strategy for Learning and Development to ensure that the Council has a consistent and effective approach to skills development, workforce planning and redeployment for its workforce

Work has already been completed within Property Services to restructure and reduce costs significantly, and re-align functions to create synergies and streamline service delivery. Alongside this, Corporate Finance are reviewing and improving the consistency of financial processes and service delivery, including procurement and insurance.

Given the fundamental nature of other CRD services, such as ICT and HR, to support the delivery of savings and the Council Plan, this report proposes that the following external reviews are commissioned:

- A review of the Council's draft IT Strategy to ensure that it is realistic and will deliver the Council's aims and aspirations for ICT
- A review of the delivery of the Council's HR function across departments to ensure that it has the resources, capability and effective systems to support major structural and cultural change

As such, approval is sought, in principle, to engage the services of specialist consultants to undertake these reviews, subject to the scope and business case being approved by Members. The Innovations and Transformation Team will provide a coordinating, account management role.

Subject to approval of this report, a scope and business case for each of the proposed reviews will be developed, in consultation with the Corporate Management Team, CRD senior managers and other key stakeholders including HR Service Partners and ICT Service Relationship Managers. These will also be underpinned by a communications and engagement plan for each review to ensure all employees and other stakeholders affected by the reviews have the opportunity to contribute and are also kept up to date on key issues during the review process. The scope and business cases will be subject to further reports to Members.

It is also timely, whilst reviewing the delivery of corporate services, to consider current management structures and review any opportunities to make further savings in management costs.

2.8 Innovations and Transformation Programme

The need for change and innovations is widely acknowledged by the Council which remains ambitious for Derbyshire and local people in a challenging financial climate. This has been recognised by Cabinet which approved the establishment of an Innovations Programme Manager post in November 2013.

Innovations is one of the Council's four key priorities moving forward, taking a more radical look at the services the Council provides and how they are provided. It will also be essential to seize opportunities such as new partnership approaches developing through the Devolution and Combined Authority model.

To support the Council in achieving this innovation ambition, Cabinet approved the use of the Derbyshire Challenge Fund to resource a core Innovations and Transformation Team to help instil a culture of open innovations and to drive the agenda forward in a connected and collaborative manner. The recruitment process is now complete and work is progressing on the development and design of the Innovations and Transformation Programme.

To help shape the programme, meetings have been held with key stakeholders including the Council Leader, Chief Executive, Cabinet Members and Strategic Directors. Further discussions with Cabinet and Management Teams and employees are also planned.

An outline Innovations and Transformation Programme has been developed on a number of themes, highlighted below. The programme will be prioritised on areas that will deliver maximum benefits, biggest improvements and greatest level of budget savings, whilst meeting the Council's priorities and ambitions.

- Account Management – including:
 - the provision of an account management role and coordination of external consultants such as the proposed ICT and HR reviews
 - the delivery of projects commissioned by Cabinet Members and their Strategic Directors/departments either to assist, drive or deliver innovations, with the emphasis on co-design and co-delivery. These would be service specific, such as the review of home to school transport and skills and employment services or more corporate, such as recruitment and selection and IT procurement service reviews
 - the review and transformation of internal systems, procedures and processes, in collaboration with departments and services
- Demand Management – including working with departments to develop an approach to challenge service provision and assist in the management of budgets, resources and delivery pressures

- Channel Shift – including a targeted approach for the Council that delivers efficiencies and savings by reducing unavoidable contact and delivering services and information by digital channels. The proposal is to begin with Call Derbyshire and use the lessons learned to explore and expand into other services
- Combined Authority and Devolution – including supporting the development and implementation of the Combined Authority and Devolution Deal, promoting an enhanced collaborative approach and maximising the opportunities to benefit the Council, its partners and local people. It is acknowledged that specialist expertise will be required to help develop and implement detailed proposals and options within challenging national government timescales. As such, approval is sought, in principle, to engage the services of a specialist consultant to undertake these reviews, subject to the scope and business case being approved by Members
- Income Generation – including exploring and implementing opportunities for greater trading and income generation. Work is already in train on the Solar PV programme, the establishment of a development company and opportunities to exploit European Funds. However, more opportunities need to be explored to help the Council be more self-sufficient and less reliant on government funding
- Transformation Challenge Award – including the management and evaluation of the current TCA grant for 2015-16, building on this partnership model to develop other shared, partnership approaches and securing other funding to support innovations and transformation
- Culture – the programme will be challenging but shifting the culture of the whole organisation will be essential if the Council is to move forward and be more creative, innovative and agile. The Innovations and Transformation Programme will include supporting the development and implementation of activities to influence culture change, whilst providing a “challenge” role. The Council needs to ensure that managers and employees are equipped to think and operate differently in an environment of innovation, collaboration and devolution. Examples include:
 - Leadership – such as leadership development, Member development, Derbyshire Manager and talent management
 - Risk appetite – such as working with departments to explore and challenge how the Council manages risks whilst being creative and innovative
 - Trust – building trust and giving managers and employees permission to work smarter and do things differently
- Communications and Engagement – a fundamental ethos of the innovations approach is one of openness, honesty and engagement. As such the whole Innovations and Transformation Programme will be underpinned by a programme of communication and engagement, both internally with Members and employees and externally with partners, key stakeholders and members of the public

- Shared Knowledge and Learning – sharing information, knowledge, skills and learning will be essential for the programme to be effective and the desired outcomes to be achieved. This will include sharing good practice, sharing learning, looking at impacts on others and working as “one council – one team”.

Subject to approval of the outline programme above, work will continue on developing a more detailed programme which will be presented to a future meeting of Cabinet in the autumn.

3 Financial Considerations The savings projected in the report have all been taken account of in budget reductions planning by relevant departments and will help deliver the current Five Year Financial Plan.

A key part of the report is the principle of employing external consultants to undertake reviews. These will be subject to the development and approval of business cases by Members, which will also confirm the funding.

4 Human Resources Considerations Consultation with employees and relevant trade unions will take place throughout the implementation of any reviews and revised structures as a result of the recommendations in this report.

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, environmental, health, equality of opportunity, property and transport

5 Key Decision No

6 Call-In Is it required that call-in be waived in respect of the decisions proposed in the report? No.

7 Background Papers Officer contact details – Ian Stephenson ext. 38100.

8 Officer Recommendations That Cabinet:

8.1 Notes progress on the Council’s ongoing review of senior management and approves the proposals for the next phases as outlined in the report

- 8.2 Approves the renaming of the Children and Younger Adults Department (CAYA) to Children's Services and the Strategic Director to Strategic Director of Children's Services
- 8.3 Approves, in principle, the external commissioning of reviews of ICT and HR services as part of the review of corporate services
- 8.4 Approves the outline Innovations and Transformation Programme and the receipt of future reports on the detailed programme and progress
- 8.5 Approves, in principle, the engagement of a specialist consultant to help the Council develop the detailed proposals for the Combined Authority/Devolution Deal
- 8.6 Notes that further reports of will be presented to future meetings of Cabinet

Ian Stephenson
Chief Executive