

Report to the Cabinet

Report reference: C-033-2016/17
Date of meeting: 7 December 2017



**Epping Forest
District Council**

Portfolio: Leader of Council

Subject: People Strategy – Common Operating Model Budget Provision

Responsible Officer: Glen Chipp (01992 564758).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That a provision of £2 million be included in the Budget for 2018/2019 for redundancy and pension strain costs, additionally support for recruitment activity and outplacement services to facilitate the implementation of the Common Operating Model;**
- (2) That Section 10 of the Council's Procurement Rules be waived to enable Aylesbury Vale District Council to be the Council's Nominated Supplier for the provision of advice on the 'recruit to stay' process and necessary assessments;**
- (3) That Solace be appointed as the Council's Nominated Supplier for the provision of recruitment advice to the Senior Management Selection Panel;**
- (4) That Section 10 of the Council's Procurement Rules be waived to enable Hays to be the Council's Nominated Supplier for the provision of outplacement services;**
- (5) That a detailed report setting out proposals for the senior management structure be submitted to Cabinet in March 2018 by the Chief Executive and**
- (6) That a Portfolio Holder Advisory Group be established for overseeing the Common Operating Model.**

Executive Summary:

Work Streams included in the recently agreed People Strategy include reviews of the Council's current management structures and the overall structure of the workforce – known as the Common Operating Model. Work has started on these projects and the Local Government Association (LGA) has been commissioned to recommend changes in the management structures using a tool called Decision Making Accountability.

In order to implement the new Common Operating Model additional resources will be required and this report sets out recommended budget provisions relating to redundancy and pension strain costs, also costs associated with necessary recruit to stay assessments and appointment activity. There will also be associated costs with supporting employees to equip them with the best chance of finding employment and/or making a transition into retirement.

The redundancy and pension costs range between £1.77 million and £2.75 million which will

achieve a reduction in the salary budget of £2.53 million. This range of numbers indicates that if all the changes were to take place at once the combined payback period would be between 8.4 months and 13.0 months.

Actual costs and payback period will only be possible when the leavers have been identified and their dates of leaving agreed.

Reasons for Proposed Decisions:

To approve the associated funds for the 2018/2019 Council budget for redundancy and pension strain costs, also the recruit to stay programme and outplacement costs to facilitate the implementation of the Council's new Common Operating Model.

Other Options for Action:

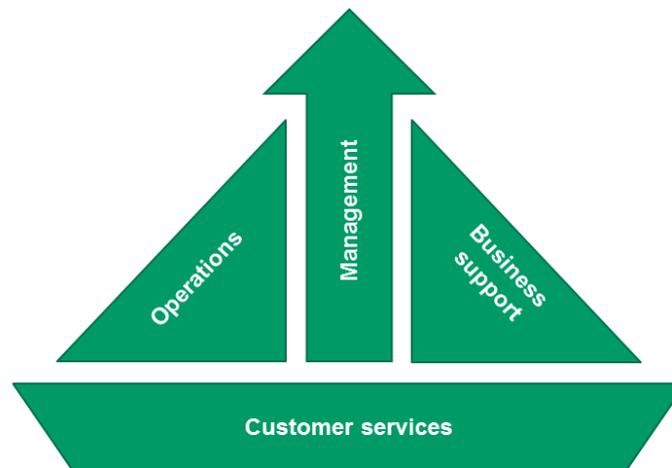
Cabinet could delay the allocation of funds until the detailed model is agreed. This would mean that the allocation of financial resources would be fragmented and inefficient as several reports would be required through the process, potentially causing time delays to fit with the Committee cycle.

Report:

Background and Context - Common Operating Model

1. A Common Operating Model (COM) will describe at an organisation level how the Council is arranged. The purpose of having a 'common' model is to ensure this is done effectively, efficiently and consistently. Currently the Council has a structure chart of senior managers, organised into directorates composed of services. These structures tend to be organised from the perspective of the organisation and not from the viewpoint of our customers. This can mean that customers, staff and partners have to learn how the Council works before they're able to find the part of the Council that they need. Different Council services work in different ways and can be organised differently.
2. The LGA have undertaken interviews across the organisation with 42 managers and staff in order to propose a framework for the Council's new COM, using a tool known as Decision Making Accountability. The tool assesses management accountabilities, spans of control and numbers of levels. Its key aim is to protect front line services and ensure that these are supported by an efficient and accountable management structure. The LGA will identify areas of compression, ineffective decision making arrangements and make recommendations for the Council to consider as part of implementing the COM.
3. The LGA conclude that the Council is a 'Level 4' organisation which means it should not have more than five job layers from the frontline to the Head of Paid Service / Chief Executive (inclusive), with a maximum of four layers of management / supervision. Each layer of management will have clear accountability levels.
4. This review will not propose a design for the Council in terms of how services might be grouped together. This work will be undertaken by a project team under the direction of the Chief Executive following the design of the COM, likely to include the Assistant Director – People Team and the Head of Transformation with input from Leadership Team.
5. As the COM is implemented, a number of managers and staff will leave the organisation, which will present the Council with costs associated with redundancy and other exit costs.

6. A diagram illustrating the Council's new Common Operating Model is given below.



Above: The Council's new Common Operating Model.

7. Alongside the organisation of people, common processes and technology are key components of a COM. In the Council's Transformation Programme, these aspects are covered by the closely related Customer Service programme [P001], Technology Strategy programme [P109], Corporate Business Support [P171] and Corporate ICT [P172] projects. Indeed, the COM could be regarded as the 'Corporate' Operating Model, as it seeks a set of efficient corporate ways of working implemented across the organisation.

Resources - Redundancy Estimates

8. It is anticipated that it will not be possible to re-shape the organisation and reduce the layers of management without making some posts redundant. For the purposes of constructing an estimate it is necessary to make a series of assumptions. The first assumption is the number of redundant posts at each tier of the organisation and the figures below are based on the Director level reducing by two, Assistant Directors reducing by seven and forty posts below the level of Assistant Director being redundant. The costs and assumptions are set out in the sections below and then summarised.

Management Board Level

9. Management Board currently comprises of a Chief Executive and four Directors. A range of options for the new structure will be considered; however for the purposes of this report it is assumed that this will reduce to a Chief Executive and two posts at Director level. Even though this is a reduction of two posts it is possible that more than two of the current post holders may want to leave so these estimates are based on three of the current Management Board leaving.

10. Where a post is redundant and the postholder is over 55 but has not yet reached normal retirement age, a strain arises on the pension fund and this can be a significant amount. (A financial strain is a payment made to the Pension Fund on early release of a pension). The different ages and lengths of service of members of the Management Board mean there are a range of possible combinations and outcomes. The estimates below assume there is no increase in salary for the Chief Executive or the reduced number of Director level posts and the reduction in the salary budget includes the saving on national insurance and pension contributions.

Cost Option	Redundancy and Pension Strain	Reduction in Salary Budget	Months to Payback
Lowest	£394,208	£240,160	19.7
Highest	£737,781	£240,160	36.9

Assistant Director Level

11. There are currently fifteen Assistant Director posts, also the posts of Head of Customer Services and Head of Transformation, however it excludes the Chief Internal Auditor post (which is shared with two other authorities and directly employed by Broxbourne). As with the Director roles a range of options will be considered; but for the purpose of this report, it is assumed that this will reduce to ten posts and so allowance needs to be made in the costs for seven people leaving. It is also assumed that the new expanded roles at Assistant Director level will be paid at circa £70,000 (subject to market evaluation), currently Assistant Director roles on grade 11 are paid between £48,345 and £52,076 and those on grade 12 are paid between £54,169 and £58,375.

Cost Option	Redundancy and Pension Strain	Reduction in Salary Budget	Months to Payback
Lowest	£248,085	£396,330	7.5
Highest	£890,372	£399,650	26.7

Posts below Assistant Director Level

12. This is the estimate requiring the most assumptions and the first of these is that forty posts at levels below Assistant Director will be removed from the establishment. The organisational development work involving Decision Making Accountability and the COM is intended to speed up decision making, create clear lines of accountability, empower and develop individual managers and reduce unnecessary management layers. As this is likely to lead to fewer layers of management and fewer managers, the second assumption is that ten posts will go from each of the four grades below Assistant Director. The organisation always has some vacancies so it is assumed that one of the ten posts lost at each grade will be vacant. In calculating an approximate value for leaving costs it is necessary to make assumptions about entitlements to redundancy and the potential pension strain. Given the age profile and general length of service amongst staff it seems reasonable to assume an average redundancy entitlement of thirty weeks and an average pension strain of £10,000.

13. Using the assumptions set out above gives a combined redundancy and pension fund strain cost of £1,124,235. The reduction in the salary budget that would arise is £1,892,600 and this means there would be 7.1 months to payback.

Summary

14. Before suggesting an appropriate combined provision it is necessary to set out the lowest and highest values based on the figures in the paragraphs above.

Lowest Cost	Redundancy and Pension Strain	Reduction in Salary Budget	Months to Payback
Directors	£394,208	£240,160	19.7
Assistant Directors	£248,085	£396,330	7.5
Other Grades	£1,124,235	£1,892,600	7.1
Combined	£1,766,528	£2,529,090	8.4

Highest Cost	Redundancy and Pension Strain	Reduction in Salary Budget	Months to Payback
Directors	£737,781	£240,160	36.9
Assistant Directors	£890,372	£399,650	26.7
Other Grades	£1,124,235	£1,892,600	7.1
Combined	£2,752,388	£2,532,410	13.0

15. Having established a range of potential costs and reductions in the salary budget it is necessary to highlight that not all of these changes will happen at the same time. It is proposed to bring a detailed report on proposals for a senior management structure to members in March 2018 and if it is assumed that the senior management changes are completed by 30 September 2018 the costs will be accounted for in 2018/19 and there will be half a year's saving to the salary budget in 2018/19 with the full saving being reflected in 2019/20. If changes to the other grades are later, part savings could be reflected in 2019/20 and full savings in 2020/21.

16. The figures in the tables above set out a cost range of between £1.77 million and £2.75 million to achieve a reduction in the salary budget of £2.53 million. This range of numbers indicates that if all the changes were to take place at once the combined payback period would be between 8.4 months and 13.0 months. It will only be possible to calculate the actual payback period when the leavers have been identified and their dates of leaving agreed.

17. On the basis of the assumptions and calculations set out above a provision for redundancy and pension strain costs of £2 million is appropriate to facilitate the implementation of the People Strategy. More detailed estimates will be calculated before the budgets are set in February 2018. These will be based on progress made to that date and it should be clearer by then when costs will be incurred and when salary savings will be realised.

Recruit to Stay Activity

18. It is usual that an organisation, when considering redundancies, would invite those affected to express an interest in voluntary redundancy. The Chief Executive will, at the appropriate time, invite officers at Director and Assistant Director levels to register an interest to be considered for voluntary redundancy. The aim of requesting voluntary redundancies is to reduce or remove the need for compulsory redundancies. The Council retains the authority to agree the request or not.

19. It is clear that there will be significant changes in the remaining roles within the management structure. The roles are likely to be much broader than currently and job descriptions are likely to become more generic to reflect this. However, the roles will need to be filled and there must be a fair and clear process in place to enable the Council to do this.

20. It is recommended that external advisors be commissioned to assist the Member Senior Management Selection Panel to appoint to Director level roles. The establishment of this Panel is the subject of a separate report. It is proposed to engage Solace to carry out this work as they have extensive experience in this area and can provide external validation to the senior management appointment process.

21. Aylesbury Vale District Council have recently implemented a major restructure and conducted behaviour and skills assessments when carrying out recruit to stay processes. It is

recommended that we use their skills and experience to assist the Council, the obvious advantages being their local government knowledge, recent experience and value for money (rather than using consultants).

Outplacement Support

22. It is proposed to offer support to employees faced with redundancy. For the Leadership Team this is likely to consist of Career Coaching for other employees the focus would be on skills workshops. For all employees they would have access to on-line resources and pre-retirement courses. This is referred to as outplacement support.

23. Hays Career Transition provides a wide range of specialised support and access to on-line resources providing employees with job seeking help and access to recruitment experts.

Next Steps

24. The Chief Executive will consider the report from the Local Government Association and present a further detailed report to the Cabinet on proposals for the Council's senior management structure. Taking account of Trade Union and individual consultation this is likely to be Cabinet on 8 March 2018.

25. Through a separate report to Council, the Chief Executive will establish the necessary arrangements under Part 4 of the Council's Constitution.

26. The Chief Executive will ask for expressions of interest in voluntary redundancy from Directors and Assistant Directors. By the time this is undertaken the number and type of roles available at these levels will be clearer allowing individuals to make an informed decision as to whether they are able and willing to demonstrate the skills and behaviours needed to embrace the new ways of working that the COM envisages.

27. The Assistant Director – People Team will undertake dialogue with the Trade Unions on proposals being brought forward, in line with Council Policy, drawing upon any assistance they may require.

28. The Assistant Director – People Team will consult with individuals impacted by any future proposal to establish the Council's new COM, in line with Council Policy, again drawing upon any assistance they may require.

29. Members of the Council's Management Board, Leadership Team and officers will receive updates on the proposals through the staff newsletter (District Lines), Staff Briefing and Manager's Conference (scheduled for 11 January 2018).

Resource Implications:

The report covers in detail the estimated resource implications. In summary, on the basis of the assumptions and calculations set out above a provision for redundancy and pension strain costs of £2 million is appropriate to facilitate the implementation of the Common Operating Model. This would achieve a reduction in the salary budget of £2.53 million with a likely combined payback period of around 12 months. More detailed estimates will be calculated before the budgets are set in February 2018. These will be based on progress made to that date and it should be clearer by then when costs will be incurred and when salary savings will be realised.

The provision also includes budgets for recruit to stay activity and outplacement support.

Legal and Governance Implications:

The Council's Constitution and Human Resource Policies will apply to any restructure, redundancy or redeployment of Council officers, including Part 4 of the Constitution in respect of Chief Officers.

Safer, Cleaner and Greener Implications:

There are no implications arising from the recommendations of this report in respect of the Council's commitment to the Climate Local Agreement, the corporate Safer, Cleaner and Greener initiative, or any crime and disorder issues within the district.

Consultation Undertaken:

Informal consultation with Cabinet Members has taken place on the COM and content of the People Strategy [P106], within which this work sits. Regular meetings with Trades Unions representatives have been arranged.

Background Papers:

People Strategy [P106] Programme Definition Document (Cabinet Report C-12-2017/18, 7 September 2017) and Project Initiation Document for [P170] – Establish a Common Operating Model.

Risk Management:

The risks management issues and mitigation for this work are detailed in the Project Initiation Document for [P170] Establish a Common Operating Model.

Equality Analysis

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report.

Policy to be analysed	
Is this a new policy (or decision) or a change to an existing policy, practice or project?	No
Describe the main aims, objectives and purpose of the policy (or decision):	Provide budget provision to be made to enable the Common Operating Model to be implemented.
What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)?	Implementing a new Council structure.
Does or will the policy or decision affect: <ul style="list-style-type: none"> • service users • employees • the wider community or groups of people, particularly where there are areas of known inequalities? 	The aim of the new structure is to improve services to our customers, improve processes, and improve decision making arrangements. Roles will be realigned and some will be deleted.
Will the policy or decision influence how organisations operate?	N/A
Will the policy or decision involve substantial changes in resources?	The report sets out in detail the resources required.
Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes?	To implement the COM the Council's existing policies regarding redundancy, redeployment and recruitment will be used.
Evidence/data about the user population and consultation	
What does the information tell you about those groups identified?	The implementation of the COM will affect all staff to varying extents. As at 10 Nov 2017 the Council has a headcount of 679, of these; <ul style="list-style-type: none"> ▪ 365 are female ▪ 314 are male ▪ 57 declared having a disability ▪ 28 declared are BME
Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision?	This report concerns the estimated budget that is likely to be required to implement the CMO. Detailed proposals will be subject to a further report where formal consultation will be carried out

	with the Trade Unions and employees.
If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary:	Formal consultation with the Trade Unions will start in December 2017, continuing into 2018..

Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

Description of impact	Nature of impact Positive, neutral, adverse (explain why)	Extent of impact Low, medium, high (use L, M or H)
Age	There is no impact resulting from this report. Further detailed reports will be presented to members in due course.	
Disability		
Gender		
Gender reassignment		
Marriage/civil partnership		
Pregnancy/maternity		
Race		
Religion/belief		
Sexual orientation		

Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqIA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No x	
		Yes <input type="checkbox"/>	If 'YES', use the action plan at Section 6 to describe the adverse impacts and what mitigating actions you could put in place.

Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.
N/A	N/A	N/A

Section 7: Sign off

**I confirm that this initial analysis has been completed appropriately.
(A typed signature is sufficient.)**

Signature of Director: Bob Palmer	Date: 10.11.2017
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Signature of person completing the EqIA: Paula Maginnis	Date: 10.11.2017
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