

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

11 JULY 2019

6

Report Title	SENIOR MANAGEMENT STRUCTURE
Purpose of Report	To provide the Committee with the advice of the Head of Paid Service regarding a new senior management structure to better reflect the Council's priorities and organise its service delivery following the recommendations of the LGA Corporate Peer Challenge team, set out in the Feedback Report received in May, and reported to Council on 16 May 2019.
Decision(s)	The Committee RESOLVES to: (1) Agree the recruitment and remuneration of 3 Strategic Directors of Communities, Place and Resources as set out in this report; (2) Agree the recruitment and remuneration of a Director of Transformation for a fixed term period of 2 years, as set out in this report; and (3) Agree the use of the transformation reserve to meet the additional costs arising from those appointments.
Consultation and Feedback	Leader, Group Leaders and Committee chairs. Advice, support and feedback on organisational structure and pay and reward from the Local Government Association (LGA) and South West Councils.
Financial Implications and Risk Assessment	<p>The new salary positions for permanent directors would result in additional costs of approximately £45k p.a. in total. The impact in 2019/20 can be comfortably accommodated using savings from senior management vacancies. The MTFP will be adjusted in future years to take account of the new senior management structure.</p> <p>A two year appointment of a Director of Transformation will incur total costs of approximately £230k, depending on salary offered. This will be funded from the transformation reserve which is earmarked for such usage.</p> <p>Any one-off costs in 2019/20 of recruitment and possible redundancy payments can also be funded from in year savings and the transformation reserve.</p> <p>The HRA would need to fund a fair share of the senior management structure, with any one-off costs being funded from in year savings, or where necessary the HRA staffing earmarked reserve. Ongoing costs would be built into the HRA MTFP.</p> <p>Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk</p>

Legal Implications	All legal implications are set out in the body of the report. Patrick Arran, Head of Legal Services and Monitoring Officer, Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Report Author	Kathy O’Leary, Chief Executive, Tel: 01453 754292 Email: kathy.oleary@stroud.gov.uk
Options	The Local Government Association Corporate Peer Challenge feedback report’s first and most urgent recommendation is to commence a senior officer restructure to ensure sufficient strategic capacity is in place at the top of the organisation. This is essential to address the current lack of capacity at director level and as such, there are no other feasible options available.
Performance Management Follow Up	The proposed approach and timetable for recruitment is set out in this report, which recommends informal opportunities for staff and members to meet candidates and engaging Group Leaders together with the CE and HR Manager in the final stage of the recruitment process. Once recruited, the postholders will be subject to established staff performance management procedures.
Background Papers/ Appendices	<ul style="list-style-type: none"> ○ LGA Corporate Peer Challenge feedback report, May 2019. ○ Report to Council on LGA Corporate Peer Challenge feedback report 16 May 2019. ○ See also report on Corporate Peer Challenge Action Plan on this agenda. Appendix 1 - SDC Organisational Structure May 2019 Appendix 2 – Proposed New Director Structure (subject to refinement)

1. BACKGROUND

- 1.1 The first recommendation of the LGA Corporate Peer Challenge team’s feedback report is that in the first instance, the Council should commence its senior officer restructure to ensure sufficient capacity is in place at the top of the organisation. The report goes on to recommend that this should be followed by a review of the overall staffing structure, pay and reward so that these align.
- 1.2 The executive summary of the report identifies that the Council must ensure that it has the capacity to both maintain its core community and partner strengths and work with purpose towards its improvement goals. One of these goals is to move towards a more inclusive and empowering Council, which centres on the need to modernise and transform its operating model, culture and systems. The report goes on to say that:

“...- the capacity needed to address this and the time and resources required should not be underestimated. Importantly SDC has appointed a new Chief Executive and given her a mandate to lead and steer this change and she has set about this with vigour by engaging with key stakeholders, most especially the Council’s workforce, who clearly are on board with and want to be part of a dynamic Council. If that vitality and purpose is to be sustained SDC needs to ensure, as a priority, that the Chief Executive is supported in building a strong leadership team around her. For a range of reasons that capacity is currently

absent and this is a fundamental foundation stone that must be secured as soon as is practicable.”

- 1.3 Section 4 of the Local Government and Housing Act 1989 sets out the statutory duty of the Head of Paid Service (Chief Executive). The Head of Paid Service has responsibility, where they consider it appropriate, to provide a report to the council in relation to;
- the number and grades of staff required by the authority for the discharge of its functions;
 - the organisation of the authority’s staff; and
 - the appointment and proper management of the authority’s staff.
- 1.4 This report is therefore a formal report from the Chief Executive setting out her advice on the organisation and grades of the senior management team. This advice is based on the clear recommendation from the LGA and Corporate Peer Challenge team.
- 1.5 The authority has ultimate responsibility for appointing officers and determining their terms and conditions, including remuneration. Any decision should have regard to the advice from the Chief Executive. Remuneration upon appointment must be in line with the pay policy adopted by Council.
- 1.6 The Strategy and Resources Committee has delegated authority under Standing Orders to exercise functions in relation to the pay policy and senior appointments. In accordance with the Staff Employment Procedure Rules, this includes appointment of senior officers and determining the remuneration payable.

2. SENIOR MANAGEMENT TEAM PROPOSALS

The Current Structure

- 2.1 The existing organisational structure, in terms of its division of responsibilities between the Chief Executive and the three director posts is set out at Appendix 1. The Chief Executive effectively behaves as a 4th director, as she has direct service line reports in addition to the 3 director roles which report to her.
- 2.2 The three main directorates are not evenly matched in their split of responsibilities and have evolved over time. The Peer Challenge feedback report says that for a period of time the Council has been characterised as being in a ‘steady state’, essentially making incremental changes and responding tactically to circumstances rather than planning strategically in order to lead change. This approach, together with the lack of capacity at director level as a result of retirements and long term sickness, has left the Council playing ‘catch up’ in terms of modernisation.
- 2.3 There is a need for directors to operate strategically to guide the authority to achieve its ambitions, rather than being closely involved in operational matters on a regular basis. The Peer Challenge report also notes that the lack of effective capacity, infrastructure and apparent cultural barriers between services and directorates limit working in a ‘one Council’ way.
- 2.4 Importantly, the Peer Challenge report also identifies the potential that the Council has in its staff resource. The Peer Challenge team found it refreshing that all the staff and

managers they met were completely supportive of driving deeper and more concerted efforts to work collaboratively, to embrace modern ways and develop a new culture of distributive leadership and accountability. It will be central to the development of the proposed new culture that officers are given appropriate freedom to be innovative and exercise discretion. This would need to be enabled within a strategic framework which is led from the front by a strategic management team.

The Proposed Structure

- 2.5 Having consulted extensively with the Peer Challenge Team and the Local Government Association, in order to deliver the Council's ambitions and meet future challenges, the advice of the Chief Executive is that three new Strategic Director roles should be created within a form that follows the function of the organisation. This will reflect three broad themes that can be identified in the delivery of the Council's services and the Corporate Delivery Plan. The strategic nature of these new roles needs to be emphasised as this is the team that will support the Chief Executive to give effect to the political agenda and run the Council.
- 2.6 It is important to note that these are new Strategic Director roles which differ from the responsibilities and requirements of the current director posts. Each Strategic Director will be expected to assist and deputise for the Chief Executive and ensure the effective and efficient strategic management of the organisation to meet overall Council objectives, as well as to oversee and be responsible for a portfolio of services and ensure that they are run well.
- 2.7 The table at Appendix 2 gives an indication of the potential organisation of services under the three Strategic Directors. The first three columns suggest the broad structuring of services under the proposed new Directors as follows:
- **Strategic Director of Resources**
Internal support services and Corporate Policy and Governance. These services need to operate well together to support the outward-facing services of the Council.
 - **Strategic Director of Place**
Outward facing place-based services concerned primarily with the built and natural environment; generally regulatory services.
 - **Strategic Director of Communities**
Outward facing services concerned primarily with people and communities, their opportunities and quality of life.
- 2.8 This proposed structure is similar to that adopted by many local authorities and has been developed from numerous conversations with managers, other staff, lead members and some partners, and with the support of the LGA following the Corporate Peer Challenge. The overall aim is to achieve better cross-service collaboration to fulfil the Council's ambitions and meet strategic objectives and the structure needs to be more flexible to respond to changing needs and opportunities.
- 2.9 The purpose of this report is to advise upon a senior management structure. The actual allocation of particular responsibilities within each portfolio will be within the discretion of the Chief Executive. The portfolios outlined are intended to be indicative

at this stage and the Chief Executive will undertake any necessary revisions once Directors are appointed. There will inevitably be further refinements as Directors and managers work closely together with staff to determine the most effective groupings of services.

- 2.10 It is important to note that, what is being proposed is a fundamental change to the senior management team with payment of suitable remuneration to reflect the strategic nature of the role. It is not simply a reconfiguration of existing resources and responsibilities. If approved, the changes proposed by this report will mean that the current Director posts will be redundant. The post of Director of Customer Services is currently vacant. However, the post holders of Director of Development Services and Tenant and Corporate Services will be potentially at risk of redundancy and a short period of consultation will need to take place. Both officers are aware of the proposals and informal discussions have already taken place with them. Given the differences in the proposed Strategic Director roles and salaries and the need to demonstrate that appointments have been made on merit, there will need to be a competitive process. As such, no roles will be ring fenced. Both officers affected will be able to apply for one of the new roles and take part in the competitive process and will be automatically shortlisted.
- 2.11 Members will note that an interim appointment has been made to a temporary Director of Resources to provide short term support for the Chief Executive whilst this process is underway and whilst one of the Directors is on long term sickness absence. Whilst the interim post holder will be able to apply for the substantive role should he wish, if he were unsuccessful, he would revert to his substantive role which is held vacant at present. The proposed recruitment process will be referred to below.

Director of Transformation (fixed term)

- 2.12 The Corporate Peer Challenge report recommends that the Council “*should consider the need for additional short-term capacity at director level to drive forward the Council’s digital and wider transformation programme at pace*”. The Council’s transformation plans need to be developed and clearly articulated and there is a need to ensure that these are underpinned by ICT capacity, capability and new approaches to digital delivery that are designed around the residents and businesses that we serve. The most essential aspect of transformation is the culture change required across the organisation.
- 2.13 This is a significant challenge which requires dedicated capacity at a senior strategic level. It is recommended that to drive this forward a Director of Transformation is appointed for a fixed term of two years. In the longer term, it is anticipated that change and transformation activity can be mainstreamed within the remit of the Strategic Director of Resources, potentially in the Corporate Policy and Governance team that is yet to be created using existing staff resources from existing teams.

3. REMUNERATION

- 3.1 The Corporate Peer Challenge report recommends that pay and reward is reviewed for staff, all of whom are currently on historic spot salaries. Unison, in a recent guide on negotiating pay structures¹ have commented that the problem with spot payments is

¹ <https://www.unison.org.uk/content/uploads/2016/10/Pay-structures.pdf>

that they “...leave no scope for progression which can lead to problems with morale in the workplace and productivity issues”. In addition, a spot salary approach does not recognise or differentiate experience in the role or provide adequate incentivisation by way of further reward. This does not help the Council retain or recruit staff and the Council struggles to compete with neighbouring local authorities, particularly where resources are scarce and in high demand, for example in a number of the professional services such as Planning.

- 3.2 The Peer Challenge team were clear that Stroud has the ability to become an exemplar Council. However, the team were equally clear that managing the Council’s capacity into the future necessitated recognising that key areas such as the staffing structure and pay and reward needed financial planning and commitment. Whilst there are a great many obvious benefits and attractions to living and working in the District, the Council has to be able to offer the necessary financial incentives to attract and retain talent to take it forward and achieve its objectives.
- 3.3 The proposed senior management structure with the appointment of strategic directors presents the opportunity to take a ‘top down’ approach to a review of pay and reward. Ordinarily, a pay review would consider the whole Council, but such a review could take up to a year and the senior management team needs to be appointed as soon as possible to help the Chief Executive achieve traction in the short term. On the basis that the whole pay structure is generally influenced by senior pay in any event, making a decision on pay for strategic directors at this point will not cause any issues for a later pan-Council pay review. Indeed, in many organisations, Chief Officers are on different pay arrangements altogether.
- 3.4 More importantly, the Council needs to make any job advert immediately attractive to candidates in the marketplace and present itself as an attractive proposition compared to other comparable local authorities in the area.
- 3.5 Currently SDC directors are paid £73,161 gross per annum. The Chief Executive has consulted with the LGA and made enquiries in relation to the level of director pay locally, regionally and nationally. The proposed pay scale set out below takes account of the available information and is considered to be an appropriate level for the duties required of the new strategic director posts. In order to provide members with sufficient comparator detail, the figures will be presented in the following order:
 - Gloucestershire Comparator Authorities
 - Regional Comparator information provided by South West
 - National Comparator information
- 3.6 Gloucestershire Comparator Authorities – Gloucester City, Cheltenham Borough Council, Tewkesbury Borough Council (2018-19 rates based on Statement of Accounts and open data records).

Gloucester City	2018-19 Rate	Pay Band
Corporate Director 1	88,089	85,359 – 94,344
Corporate Director 2	88,089	85,359 – 94,344
Head of Policy and Resources (S151)	78,160	72,131 – 79,724
Head of Place	72,500	72,131 – 79,724

Cheltenham Borough Council	2018-19 Rate	Pay Band
Cheltenham Task Force Managing Director	95,700	90,000 – 99,999
Executive Director, People and Change	87,092	75,000 – 89,999
Executive Director, Finance and Assets	93,448	90,000 – 99,999
Managing Director, Place and Growth	87,092	75,000 – 99,999
Director, Corporate Resources*	66,731	65,000 – 74,999
Director, Environment*	65,536	65,000 – 74,999
Director, Planning*	65,536	65,000 – 74,999
* Deputy Chief Officers		

Tewkesbury	
Deputy Chief Executive	81,287
Borough Solicitor (Also a Director)	86,455
Head of Service S151 & Asset Mgt.	68,856

3.7 Regional Comparator Information - 2nd tier Authority (38 Records)

Average Salary SW District Authority	70,609 – 74,995
Median Salary SW District Authority	73,161 – 74,899
Upper Quartile SW District Authority	81,147 – 83,232

3.8 National Data – District Authority, Similar Population Size (79 Records)

Average Salary District Authority	77,856 – 83,991
Median Salary District Authority	75,735 – 83,232
Upper Quartile District Authority	86,030 – 93,388

3.9 The current rate of pay for Directors at SDC is below the bottom of the scales paid by Cheltenham and Gloucester and the salaries paid by Tewkesbury. It is also below the national average and median salaries for a District Authority with a similar size population.

3.10 In terms of the regional position, the current salary is in line with the average and median pay ranges, but is well below the upper quartile, which is where SDC would like its performance to be in terms of its position aspiring to be an exemplar council.

- 3.11 The LGA and South West Councils recommend that to fulfil the Council's potential and to match its ambition, it will need to consider offering regionally competitive upper quartile salaries to attract and retain the best talent in these demanding strategic roles. This would be in the region of £80,000 - £85,000 pa for each director.
- 3.12 There are two options; one would be to adopt a spot salary approach and the other would be to adopt a salary band. It is the recommendation of the Chief Executive and the LGA that the Council adopts a salary band for Strategic Directors, which is the position in two of the three local comparators. It is custom and practice within local government to place new starters on the bottom increment of any salary range. Incremental increases are then based on satisfactory performance and controlled on that basis. However, a salary band also gives the Council the ability to offer a higher salary within the band to exceptional candidates if necessary.

Financial impacts of proposals

- 3.13 To provide an illustration, the costs of the existing structure and the proposed structures are set out below.

3.14 Current Structure with on costs

Current Structure	Salary pa	Cost including on costs
Chief Executive	£115,268	£150,732
Director of Development Service	£73,161	£95,235
Director of Tenant & Corporate Services	£73,161	£95,235
Director of Customer Services	£73,161	£95,235
Total	£334,751	£436,437

3.15 Proposed structure – based on minimum and maximum cost

Proposed Structure	Salary pa (minimum)	Costs including on costs (minimum)	Salary pa (maximum)	Costs including on costs (maximum)
Chief Executive	£115,268	£150,732	£115,268	£150,732
Strategic Director of Resources	£80,000	£104,249	£85,000	£110,839
Strategic Director of Place	£80,000	£104,249	£85,000	£110,839
Strategic Director of Communities	£80,000	£104,249	£85,000	£110,839
Total – Ongoing Structure	£355,268	£463,479	£370,268	£483,249
Director of Transformation (Fixed term for two years)	£80,000	£110,839	£85,000	£110,839
Total – Including Fixed Term Post	£435,268	£567,728	£455,268	£594,088

- 3.16 The proposed increase in salary for the new strategic director roles and the proposed additional fixed term Director of Transformation would mean a temporary increase in the wage bill of the Council. To put this proposed increase in context, the current total annual wage bill of the Council is £13.4m and the proposed overall wage bill for a

temporary period would be £13.53m. The additional cost would be met from the existing transformation reserve, which was created with the intention of funding short terms costs relating to post peer review transformation. However, this investment in the 2nd tier posts of the Council will significantly increase capacity and improve the ability of the Council to drive transformation and efficiency, which ultimately should reduce the Council's wage bill in the longer term. While the Council can afford to invest, it is recommended that it does so to improve its chances of achieving financial self-sufficiency and delivering on other ambitions and objectives to improve services for residents and businesses.

4. PROPOSED RECRUITMENT PROCESS AND TIMETABLE

- 4.1 Given the number and importance of the roles proposed, it is recommended that a national recruitment specialist is engaged to work with the Council, provide advice and support the process, particularly the sourcing, long listing and short listing of suitable candidates. The process will be advertised nationally, but will also be open to internal candidates. As stated above, any officers at risk of redundancy will be automatically shortlisted if they wish to apply for one of the new strategic director posts.
- 4.2 Preliminary work has been carried out with a national recruitment specialist to identify options and costs, which are currently being considered with the HR Manager to establish what the Council can best do itself and where it would most benefit from external support. These one-off advertising and recruitment costs can be met from the transformation reserve.
- 4.3 It is suggested that, subject to costs and timetabling, the final stage of the interview process will include a day of familiarisation with members, staff and external stakeholders, meetings and presentations at Ebley Mill followed by final interviews the next day with the CE and member panel.
- 4.4 The Employment Procedure Rules, part 4) state that “A *panel of Strategy and Resources Committee will appoint Chief Officers. The Chief Executive will Chair.*” The term (Non Statutory) Chief Officers is defined in statute and includes any officer who reports directly to the Chief Executive, which includes strategic directors. The recent recruitment of the Chief Executive involved all 4 Group Leaders in the final panel and it is suggested that that approach should be taken in the recruitment of the new strategic directors. Given the number of roles and the potential number of candidates, logistically this would take up 4 working days.
- 4.5 Further work will need to be carried out to detail the recruitment process and finalise costs. At present the indicative timetable is as follows:

Advertisements placed and search/sourcing commenced:	w/c 29 July
Application closing date:	6 September
Longlist meeting:	w/c 9 September
Longlist interviews conducted by recruitment agency and technical assessors:	w/c 16 and/or 23 September
Final interviews and panel:	From w/c 7 October

5. LGA COMMENT

- 5.1 The recommendations set out in the report, to create a new senior management team, respond directly and positively to the challenges identified in the Corporate Peer Challenge concerning the importance for the Council of creating the strategic leadership capacity needed both to meet its ambitions for the people of Stroud, but also to modernise the way the Council works in future.
- 5.2 The proposed senior management structure is consistent with current good practice within the local government sector and the recommended salary band of £80-85,000 reflects the market for high quality strategic directors.

6. CONCLUSION

- 6.1 Given the strong recommendation of the Corporate Peer Challenge team that significant modernisation and transformation is required to achieve the Council's ambitions and priorities to and to ensure the Council fulfils its potential to be an exemplar leader of place, these appointments should be a priority for the Council. Members are asked to endorse the proposed structure and recruitment of three permanent Directors of Resources, Place and Communities and one fixed-term Director of Transformation at a market salary of £80,000 - £85,000 to reflect the strategic importance of the roles. The additional cost can be met from the transformation reserve.
- 6.2 It is imperative that officers with the necessary skills and experience are appointed to these pivotal new roles within the authority to ensure that the Chief Executive is supported at a strategic level to shape the Council's staff to deliver the Council's ambitions and priorities, and maintain excellent services for residents and businesses.