

EAST AYRSHIRE COUNCIL

CABINET – 26 JANUARY 2011

REVIEW OF MANAGEMENT STRUCTURES

Report by Chief Executive

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise Cabinet of the detailed arrangements for the review of the Council's management structures in all services; to seek approval of the guiding principles that will be used to inform the review and the agreement of a programme to facilitate its implementation.

2. BACKGROUND

- 2.1 Members will recall, in agreeing the Council's budget consultation proposals for 2011/12, that the report considered by Cabinet on 1 December 2010 made reference to a Council wide review of management structures, which had recently commenced, the aim of which is to streamline management structures and reduce costs in all services.
- 2.2 Members will also be aware that all services, through a rigorous programme of Best Value Service Reviews, have been striving to maintain management structures that are both efficient and operationally effective. This programme has been supported by a number of specific organisational reviews which have maximised opportunities to amalgamate service management arrangements. These periodic organisational reviews, a summary of which is provided at Appendix 1, have, over the lifetime of the Council, delivered streamlined management structures and resulted in a significant reduction in the number of Executive Directors, Heads of Service and Senior Managers. In summary, it should be noted that the number of Chief Officer posts has reduced from 38 in 1996 to 19 in 2011.
- 2.3 The Council has continued to keep its management arrangements under review. Indeed, the latest budget consultation proposals for 2011/12, approved by Cabinet on 1 December 2010, contain a number of proposals to streamline management arrangements, the implementation of which will see a further reduction of some 25 management / senior practitioner posts and generate savings of over £1.265 Million (including employer contributions).
- 2.4 Moving forward, it is proposed that a comprehensive review of the Council's management structures should be undertaken to test and challenge existing arrangements against a clear set of guiding principles in relation to the number of management tiers and spans of control. This report seeks to set out arrangements for this review and to outline a programme to facilitate its implementation.

3. GUIDING PRINCIPLES

3.1 The project team established to co-ordinate the review initially undertook a wide ranging review of management structures across Scottish councils to identify best practice and establish how this could be applied locally. The Head of Human Resources subsequently visited two other councils who have undertaken or are in the process of undertaking similar reviews of their own management arrangements. Reflecting upon their experiences and wider best practice, a series of guiding principles have developed which will be used to inform our own review. Full details of the guiding principles are enclosed at Appendix 2. For ease of reference the key aspects of the guiding principles are set out below:-

Management Tiers

3.1.1 Our starting point is that there should be no more than 5 levels of management between the Chief Executive and professional/operational employees as set out below:-

- ❖ Chief Executive;
- ❖ Executive Director;
- ❖ Head of Service (Strategic Managers);
- ❖ Service Manager (Service/Operational Managers);
- ❖ Team Leader (Service Delivery Managers).

3.1.2 The review will include all service managers and senior practitioners (who have a mix of management and service delivery responsibilities) from Grade 16 to Grade 7. It should be appreciated that each level of management may comprise of a number of staff at different grades. The review will provide the opportunity for an overall coherence and a clarification of roles and responsibilities across the Council. This will enable job outlines, roles and titles to be simplified and standardised and will eliminate overlap and encourage greater flexibility and responsiveness to customer needs.

3.1.3 The mix of management/service delivery responsibilities of senior practitioner posts will be an important aspect in determining the appropriate number of tiers of management and spans of control for each service, and will be taken into consideration during the course of each review.

3.1.4 In considering whether an individual post should be deleted from the establishment, each review will also require to consider the authority delegated to the post, the knowledge expected of the post holder, the specialist activities undertaken by the post over and above its management responsibilities, and from this, what work would still need to be carried out if the post was deleted.

3.1.5 Should a Head of Service, supported by their Executive Director consider that there should be a sixth level of management, he or she will need to develop the rationale for any additional levels of management. This should take account of the number of employees in the Service, the nature

of the work undertaken, the number of operational units, and the nature of the discrete operational units.

Spans of Control

3.1.6 In respect of management span of control ratios, our starting point is that, where possible, the criteria set out below should be met:-

- ❖ Heads of Service should have at least 3 direct reports, the exception being those Heads of Service with responsibility for providing specialist professional and corporate advice to Council;
- ❖ Service/Operational Managers should have at least 5 direct reports; and
- ❖ Team Leaders (Service Delivery Managers) should have at least 7 direct reports.

3.1.7 Shared services will be considered and recommended as an alternative option for investigation where reporting arrangements are under populated and spans of control do not meet the above ratios.

3.2 These guiding principles set out optimum levels of management tiers (between the Chief Executive and professional/operational employees) and spans of control for the different levels of management. It is appreciated that these optimum levels may not be entirely appropriate or immediately achievable across all service areas within the Council.

3.3 It is, however, proposed that these will be used to inform an intensive change process. Over the next year, existing management arrangements will be challenged against these guiding principles to further streamline existing structures by increasing and strengthening spans of control and the number of direct reports at all levels of management.

4. MANAGEMENT REVIEW PROGRAMME

4.1 In developing a programme and timetable for the review of management structures across the Council, the Corporate Management Team considered a number of factors, details of which are provided below:-

- ❖ Pressing need to strengthen management arrangements;
- ❖ Clear opportunity to streamline structures and deliver significant savings following an initial review of existing structures against the guiding principles;
- ❖ Potential benefits and cost reductions arising from service realignment;

4.2 These were considered and applied to each service area and used to prioritise the timing of reviews into three phases.

4.3 Phase 1, to be undertaken during the first quarter of 2011/12, focuses on those services where it was considered that there was a pressing need to strengthen management arrangements and/or on those areas that it was considered offered the greatest scope for achieving efficiencies. These

include Internal Audit, Planning and Economic Development, IT and Asset Management, the Finance Service and Waste Management, Outdoor Amenities and Street Cleaning, all of which have been programmed early in the proposed timetable. A cross cutting review of Central Support Services including Best Value, Community Planning, and Performance staff is also proposed in phase 1 of this review.

- 4.4 The second phase of the review to take place during the second quarter of 2011/12 and will focus on the remit of four Heads of Service within the Department of Educational and Social Services, including a joint review of Community Learning and Development and the balance of Leisure Services, and on the Legal, Procurement and Regulatory Service and the Roads and Transportation Service.
- 4.5 As Members will be aware, certain areas of the Council's business have already been subjected to intense scrutiny and service reconfiguration as a result of recent reviews. The Social Work Sustainability Review and the creation of the Single Business Unit within the Housing Service fall within this category. In addition, Democratic Services will be responding to the impending national election and significant change to the Human Resources Service is proposed in the 2011/12 budget proposals. Consequently, these services have been programmed for the final phase of the review in the third quarter of 2011/12.
- 4.6 Full details of the proposed review programme and timetable for completion of individual service reviews are enclosed at appendix 3.

5. TRADE UNION CONSULTATION

- 5.1 The Trade Unions have been made aware of arrangements for the proposed review of management structures as outlined within this report and a commitment has been given to further consultation on the implementation of the review programme and the detail of each service management review.

6. REPORTING REVIEW OUTCOMES

- 6.1 As each of the 18 programmed reviews of service management arrangements is concluded, it is proposed that the outcome, including details of proposed changes to management structures, timescales for implementation and the efficiencies that will be delivered, should be reported to Cabinet. Where the recommendations of individual service reviews include proposals which also impact on another service, in accordance with the requirements of the current Scheme of Delegation, Cabinet will make recommendations to Council in respect of these cross cutting issues.

7. FINANCIAL AND LEGAL IMPLICATIONS

- 7.1 As outlined in the budget consultation report considered by Cabinet on 1 December 2010, the anticipated budget gap for 2011/12 was £7.777 m. This figure was a broad estimate and is likely to be adjusted to reflect the

council level information which has subsequently been received from the Scottish Government, and further advice, clarification and other adjustments which continue to be received.

- 7.2 The Settlement only contained details of funding levels for 2011/12 and no information has been made available for the future years 2012/13 to 2014/15. The figures for Scottish spending in those years have, however, been provided, and it is clear that spending will continue to fall in real terms. It is inevitable therefore that the Council will require to bridge spending gaps in these years by making further significant savings. In the event that funding levels are frozen for example, the savings required are estimated to be in excess of £6m in each year. It will be important therefore to continue to plan for spending reductions into the future and to be in a position to action these as and when required.
- 7.3 The proposals in relation to the review of management structures contained within this report are anticipated to result in significant recurring efficiency savings. There may, however, be a requirement for one off severance costs, funded from uncommitted balances, to facilitate change.
- 7.4 There are no direct legal implications arising from this report. Any legal matters arising from the programme of reviews will be highlighted within the proposed Cabinet reports on the outcome of individual reviews as outlined in section 5 above.

8. RISK AND EQUALITY IMPACT ASSESSMENT IMPLICATIONS

- 8.1 The proposed review of management structures, as outlined within this report, will seek to minimise risk by continuing to ensure that the Council has in place effective management arrangements, with appropriate responsibilities assigned and clear lines of reporting in place. All of this will provide an assurance that the Council is making the most effective use of its resources and is focusing on the provision of front line service delivery.
- 8.2 An Equality Impact Assessment has been carried out on the guiding principles set out in Appendix 2 of this report and it is considered that these principles are free from any potential discriminatory impact.

9. POLICY AND COMMUNITY PLANNING IMPLICATIONS

- 9.1 The drive towards securing continuous improvement in delivering Council services is a fundamental requirement placed upon councils through the Local Government in Scotland Act, 2003. Progress in relation to the matters covered in this report demonstrates a continued commitment by the Council to deliver on this requirement.
- 9.2 Staffing implications arising from the individual reviews will be dealt with in accordance with the Council's Workforce Planning Policies on Severance and Redeployment as agreed by Cabinet on 23 June 2010. Every effort will be made to minimise the need for compulsory redundancies arising from the proposed review of management structures across the Council.

10. RECOMMENDATIONS

10.1 Cabinet is asked to:-

- (i) consider and recommend that Council agrees the proposed arrangements for the review of the Council's management structures as outlined within this report;
- (ii) consider and recommend that Council agrees the guiding principles as detailed in Appendix 2 of the report and that these should be used to inform an intensive change process, which over the next year will challenge existing management arrangements;
- (iii) consider and recommend that Council agrees the review programme and timetable as detailed in Appendix 3 of this report;
- (iv) agree that the outcome of all 18 reviews of service management arrangements should be reported to Cabinet as soon as they are concluded;
- v) agree, where the recommendations arising from individual service reviews include proposals which also impact on another service, that in accordance with the requirements of the current Scheme of Delegation, Cabinet should make recommendations to Council in respect of these cross cutting issues; and
- (vi) otherwise note the contents of this report.

Fiona Lees
Chief Executive
13 January 2011

LIST OF BACKGROUND PAPERS

1. Various Scottish Council Structure and Organisational Charts.
2. Report on Stirling Council's Organisational Review dated 2 April 2009.
3. Midlothian Council Policy for Organisational Restructure dated 16 June 2010.

Any person wishing to inspect the above background papers or seeking further information on this report should contact Martin Rose, Head of Human Resources, (Tel: 01563 576092).

IMPLEMENTATION OFFICER: Martin Rose, Head of Human Resources.

**SUMMARY OF ORGANISATIONAL REVIEWS SINCE THE
ESTABLISHMENT OF EAST AYRSHIRE COUNCIL**

Review Date	Summary of Key Outcomes
March 1998	Transferred responsibilities for a number of specified functions from the Commercial Operations Department to client services Departments to reflect the post Compulsory Competitive Tender environment.
October 1998	Transferred the remaining Commercial Operations services to service Departments. Strengthened accounting and corporate governance arrangements by bringing Public Relations, Legal, Internal Audit and a new Performance and Best Value Service under the Depute Chief Executive and introduced outposted finance services. Consolidated Housing and Technical Services and established a Building and Works DLO. This reduced the number of departments to 8 with 7 Service Directors and the depute Chief Executive.
February 2000	Amalgamated the Depute Chief Executive's functions with the Corporate Services Department to form a single Corporate Resources Department with a merged Legal and Administration function and a merged Performance/Best Value and Public Relations function. To improve effectiveness and increase joint working the Education and Social Work functions were amalgamated into a single Department. This reduced the number of Departments from 8 to 6 and the number of Heads of Service from 22 to 18 and delivered a 25% reduction in the number of Chief Officers.
September 2003	Amalgamated the Departments of Corporate Resources and Finance to form a new Department of Corporate Support. The then Departments of Community Services, Development Services and Homes and Technical Services were amalgamated to form 2 new Departments, namely a Department of Development and Property Services and a Department of Neighbourhood Services. This reduced the number of Departments from 6 to 4 with the number of Heads of Service reducing from 18 to 16.
December 2006	Reduced the number of Departments from 4 to 3 with the deletion of the Department of Development and Property Services. Amalgamated the Finance, Property and Technical Services and Performance and Best Value functions within a single Finance and Asset Management Service reporting direct to the Chief Executive. Created a Democratic Services function incorporating Public Relations under a new Head of Democratic Services. Transferred aspects of Protective Services responsibilities to Legal, Housing and Leisure Services. Amalgamated Planning and Economic Development within the Department of Corporate Support. This reduced the number of Departments from 4 to 3 with the net effect of the changes reducing the number of Heads of Service from 16 to 15.
July 2008	Merger of Housing and Building and Works Services to create a new Single Business Unit for Housing Repairs and Improvement works resulting in the deletion of a Head of Service post. Split the

APPENDIX 1

	duties of the Head of Social Work between a new Head of Community Care and Head of Children Families and Criminal Justice. There was no change to the number of Departments or the overall number and Heads of Service.
February 2010	Transferred the Finance Service into a new Department of Finance and Corporate Support. Transferred Asset Management into a new Information Technology and Asset Management Service. Transferred Planning and Economic Development from Corporate Support to Neighbourhood Services. There was no overall change to the number of Departments and Heads of Service.

EAST AYRSHIRE COUNCIL MANAGEMENT STRUCTURES REVIEW GUIDING PRINCIPLES
<p>These guiding principles are intended to inform an intensive change process, which over the next year seeks to streamline the Council's management structures by increasing spans of control and the number of direct reports at all levels of management.</p>
<p>The Council will organise itself in an efficient and effective way which ensures that proper arrangements are in place for the support, development, supervision and control of employees. Management and operational structures will eliminate duplication and drive standardisation, simplification and sharing.</p>
<p>The Council will have a clear and simple management structure with no more than 5 levels of management between the Chief Executive and professional/operational employees as set out below:-</p> <ul style="list-style-type: none"> ❖ Chief Executive; ❖ Executive Director; ❖ Head of Service (Strategic Managers); ❖ Service Manager (Service/Operational Managers); ❖ Team Leader (Service Delivery Managers).
<p>If a Service Manager considers that there should be a sixth level of management, they need to develop the rationale for any additional levels of management. This should take account of the number of employees in the Service, the nature of the work undertaken, the number of operational units, and the nature of the discrete operational units.</p>
<p>The review will cover service management and senior practitioner posts which have a mix of management and service delivery responsibilities down to Grade 7.</p>
<p>The aim will be to review management structures to deliver savings and achieve, where possible, management span of control ratios as set out below:-</p> <ul style="list-style-type: none"> ❖ Heads of Service should have at least 3 direct reports, the exception being those Heads of Service with responsibility for providing specialist professional and corporate advice to Council; ❖ Service/Operational Managers should have at least 5 direct reports; and ❖ Team Leaders (Service Delivery Managers) should have at least 7 direct reports.
<p>Shared services on an Ayrshire wide basis will be considered and highlighted as an alternative option where reporting arrangements are under populated and spans of control do not meet the above ratios. Spans of control that do not meet the above ratios will be by exception and like all staffing proposals, will require CMT approval prior to any recommendations being made to Cabinet/Council.</p>
<p>Job outlines, roles and titles across the Council will be simplified and standardised to prevent overlap and become more generic, encouraging greater flexibility and responsiveness to customer needs.</p>
<p>To ensure consistency of management span of control, all future structural alterations will be tested against these guiding principles.</p>

MANAGEMENT REVIEW PROGRAMME – PROPOSED TIMETABLE

Service Area	Phase	Timescale for Completion
Internal Audit	1	April – June 2011
Planning and Economic Development	1	April – June 2011
Central Support Services	1	April – June 2011
IT and Asset Management	1	April – June 2011
Finance	1	April – June 2011
Waste Management, Outdoor Amenities and Street Cleaning	1	April – June 2011
Legal Procurement and Regulatory Services	2	July - September 2011
Roads and Transportation	2	July - September 2011
Leisure Services and Community Learning and Development	2	July - September 2011
Schools (including Quality Improvement Team)	2	July - September 2011
Facilities Management	2	July - September 2011
Early Years and Additional Support Needs	2	July - September 2011
Resource Support (Educational and Social Services)	2	July - September 2011
Housing	3	October – December 2011
Social Work Children and Families and Criminal Justice	3	October – December 2011
Social Work Community Care	3	October – December 2011
Democratic Services	3	October – December 2011
Human Resources	3	October – December 2011