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**BUSINESS MODEL – CHANGES TO STRUCTURE**

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**Responsible Cabinet Member - Councillor Bill Dixon, Leader**  
**Responsible Director - Ada Burns, Chief Executive**

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**Purpose of the Report**

1. To propose a new senior management structure for the Council in response to Cabinet's decision regarding strategic options for Place based services and the subsequent opportunities for aligning services more effectively and efficiently across the Council.

**Background**

2. The Council's business model requires an organisational structure which enables services to be delivered efficiently and effectively. Cabinet's agreement to the recommendations for Place based services means that some changes are required to the senior management structure across the Council to implement Cabinet's decisions.
3. The rationale for change is based on moving similar types of services together thereby removing duplication and reducing senior management costs. The proposals take advantage of opportunities available now to re-align services across Service Groups to maximise savings which are estimated to be in the region of £800k.

**Recommendation**

4. Council agree the new senior management structure as set out in **Appendix A1** and the slot in arrangements set out in Paragraph 32.

**Reasons**

5. The recommendations are supported by the following reasons:-
  - (a) To reduce management costs;
  - (b) To provide a structure that supports the Council's ambitions in the business model;
  - (c) To comply with the Council's HR policies and procedures and relevant legislation;

**Ada Burns**  
**Chief Executive**

**Background Papers**

No background papers were used in the preparation of this report.

S17 Crime and Disorder	There are no specific implications for Crime and Disorder.
Health and Well Being	Focusing all adult care services under a simplified management structure will support efficient programmes to improve health
Carbon Impact	There are no direct impacts with regard to carbon emissions
Diversity	The proposals will affect the opportunities of staff across the organisation. Any impacts will be managed through the Council's recruitment and change management policies.
Wards Affected	All wards affected
Groups Affected	Staff and service users
Budget and Policy Framework	The report is designed to address budget reductions for the agreed MTFP.
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	The Council's structures mirror the two key priorities within the SCS
Efficiency	The proposals are designed to release significant savings from current budgets

## MAIN REPORT

### Background

6. Cabinet on 1 November 2011 considered a report “Implementation of the Council’s business model (available at <http://www.darlington.gov.uk/PublicMinutes/Cabinet/November%201%202011/Item%209.pdf>) which approved the preparation of a detailed business case for the Strategic Collaboration of People based services and continued work on Place based services. The work agreed in November underpins the WHO provides services element of the Business Model which is incorporated in the Council’s approved Medium Term Financial Strategy.
7. A further report was considered by Cabinet on 3 April 2012 which updated Members on general progress in implementing the Council’s business model in the context of an ever changing financial environment for the Council and provided a detailed update and recommendations on the Strategic Options for Place project.
8. Cabinet’s agreement to the recommendations for Place based services in terms of options which could be pursued immediately and those which could be re-considered at a later date require significant restructure and improvement of processes during 2012/13. Restructuring proposals affect a wide range of teams to varying degrees, at all levels below Director and extend beyond services for Place. A timetable for implementing workforce change has been developed which fulfils legal requirements and supports the Council’s objectives of maximising savings.

### Rationale for Change

9. When the Council restructured into three “groups” of services and a Chief Officer Executive of four last year, a number of principles were applied to secure an organisation that:-
  - (a) Has clear management accountability for delivering outcomes for the people of Darlington and outcomes for the place in accordance with “One Darlington: Perfectly Placed”;
  - (b) Is an effective strategic commissioner of services, focused on outcomes;
  - (c) Supports Members and communities to foster self-reliant and resilient communities;
  - (d) Provides consistent, high quality customer experiences;
  - (e) Has the capacity and discretion leadership to deliver transformation;
  - (f) Has the form, competencies and values to be efficient and effective;
  - (g) Is rigorous in using evidence of need and of what works to design and prioritise services.
10. It is proposed that the overall shape and structure of the organisation in the main will remain unchanged, however service responsibilities will be reallocated across and within Groups which will affect current posts and postholders. The required improvement of processes relies upon staffing resources being re-organised into logical groupings which incorporate inter-dependent and complementary services. This requires reallocation of service responsibilities at a Chief Officer level.

11. Services within the Place Group will go through the most significant change as a consequence of implementing Cabinet's decision regarding the options for Place based services. Cabinet considered that there were limited options in relation to some services and functions e.g. regulatory services, Highway Authority functions, capital project management, regeneration policy and commissioning and economic development. The report also looked at whether any services in other Groups (People and Resources) might be brought into consideration and on the impact of the various options on business support functions such as HR, Legal, Procurement and the Customer Contact Centre.
12. The report focused on larger blocks of services, rather than looking at a myriad of smaller-scale options as past experience has shown that smaller scale collaboration and outsourcing leaves overheads with the organisation which cannot be dealt with. Also a series of different contracts adds complexity and cost to the client function.
13. Cabinet were recommended options which could be discounted, options which were suggested could be pursued immediately; and options which might still be appropriate at a future date and could be re-considered in about 2 to 3 years time. The recommendations were based on an evidence-based assessment of how services currently perform, of the options for other types of delivery model and evaluation against the potential benefits / dis-benefits of each option. The recommendations were very much aligned to agreed design principles in that they supported the application of commissioning principles to all services; enabled further work with the community; helped to streamline processes enabling more efficient delivery of outcomes; allowed the Council to retain sufficient in-house capacity to deliver transformation; supported improvements to customer service through improved 'end to end' processes; and as detailed plans for collaboration and outsourcing are developed will allow customer focused performance measures in service specifications and contracts to be adopted.
14. This involves the re-organisation of in-house services to remove unnecessary steps from processes and to remove any overlap or duplication. The proposed restructure allows processes to be simplified using LEAN principles, and reflects the principles of the Council's business model. It is based on the premise that once a decision has been taken to commission services in-house then they can be made more efficient by taking out as many splits as possible in the delivery chain. For example, under the current system many highways schemes are designed and constructed by two separate in-house teams, measuring costs, supervising work and operating separate accounting systems for the same scheme. Similar process improvements can be made between housing and building services, and between corporate facilities management and building services. Most of the duplication in street scene was removed when the service changed in 2006, however by applying similar principles further efficiencies can be achieved by creating more dedicated teams.
15. The in-house option agreed by Cabinet for Place services makes the current services more efficient, by allowing unnecessary loops in processes to be cut out. It also creates business units (or delivery units) which reflect findings from market testing and case studies about the way private sector companies would best organise these services. This therefore keeps open a future choice of options for these services. The relatively self-contained units which form the basis of the new structure resulting from Strategic Options for Place are:-
  - (a) The Place Strategy and Commissioning function
  - (b) Regeneration Programme and Projects, and Economic Regeneration
  - (c) Regulatory Services

- (d) Highways – all aspects from design, asset management through to physical delivery of maintenance and works
- (e) All Capital Project Management and design
- (f) Cultural and related Commercial Services
- (g) Environmental Services
- (h) All housing maintenance and construction integrated into Housing management
- (i) All non-housing property maintenance and facilities management integrated into the Corporate Landlord function (in Resources Group)

16. The Cabinet decision on the options for Place services also has implications for People services. Cabinet had already agreed to develop a business case for People services to explore collaborative working with other local authorities. If a priority for Place services is to improve efficiency and service delivery, then a priority for People services is to ensure the delivery of efficient services for vulnerable people in a period of financial restraint, and to do so in conjunction with other public sector partners who are facing similar pressures.
17. Consideration has been given to the services within the People Group which are in scope for the proposed collaboration and those which are not. Housing services, currently within the People group, are not included in the scope for the collaboration. However, Housing services are a significant partner in the proposed restructure of Building Services and there is considerable merit in Housing services having a central role to play in the overall restructure of Place services.
18. The Council is anticipating significant future savings from any structural changes which stem from collaboration with other local authorities and/or with health partners. It is essential, therefore, that the leadership team in People is focussed on developing the business case for collaboration and for responding to the changes brought about by the Health and Social Care Act, 2012. Additional savings are anticipated from structural changes stemming from a holistic review of in-house People services. It is therefore proposed to separate out the Assistant Director portfolio of Housing and Adult Social Care into two parts; Housing Services and Adult Social Care. The outcome of this proposal would be a clear focus on collaboration for People services and a greater opportunity for Place to deliver their proposed savings. Therefore two structural changes are proposed in this report which are designed to support both the in-house review of Place Services and the potential benefits from any People collaboration.
19. The practical outcomes of the review are to move services together which would increase efficiency and remove duplication and reduce senior management. The detailed structures below Assistant Director level which are currently being consulted upon together with the deletion of one Assistant Director post will deliver savings of approximately £800k which is made up as follows:-
- |   |          |
|---|----------|
| Senior management (First and Second Tier)         | £ 90,000 |
| Management and Supervisor (Third and Fourth Tier) | £520,000 |
| Other   | £190,000 |
20. In summary the significant elements of the restructure in the Place Group are :-
- (a) The deletion of the Building Services Division with functions moving to be managed by other Chief Officers e.g. housing repairs will now be managed in a new Housing division within the Place Group. These changes will remove management and streamline systems to deliver savings.

- (b) The transformation project to create a corporate landlord function putting responsibility for all non-housing property under single management has influenced the restructure and in addition to building maintenance functions being transferred to corporate landlord, building cleaning has also transferred to put all major building support functions under single management again creating greater efficiency.
- (c) To take the opportunity at the same time as the major restructure, to refine the structure agreed in 2010 following a year of operation, mainly around transferring a small number of services from the Community Services Division to allow greater synergy and efficiency.

### **Workforce Implications**

21. The Building Services Section, where the Assistant Director post is vacant, will be split and reallocated as shown below:
  - (a) Highways construction and capital projects management to Highways, Design and Capital projects
  - (b) Housing services currently split across Place and People Groups will be combined into a single division in the Place Group
  - (c) Council property maintenance, facilities management and procurement to Transformation in the Resources Group.
  - (d) The vacant post of Assistant Director – Building Services will be deleted.
  
22. The Community Services Division will have some services reallocated as follows :-
  - (a) CCTV to Regulatory Services (to which it is more akin) in Policy and Regeneration
  - (b) Rights of Way (which is based on Highways powers) to Highways, Design and Capital Projects
  - (c) Adults & Children’s Transport Commissioning and delivery to the People Group
  - (d) Building Cleaning to Transformation (as part of Corporate Landlord) in the Resources Group
  
23. As a result of service transfer to the People Group some reorganisation is required to ensure effective management provision as follows:-
  - (a) Housing services currently in the People Group will transfer to an Assistant Director – Housing and Building Services in the Place Group
  - (b) Adult Social Care will transfer from the Assistant Director – Housing and Adult Social Care to a regraded post and redesignated post of Assistant Director - Adult Social Care within the People Group.
  
24. A copy of the current (**Appendix A1**) and proposed structure (**Appendix A2**) is attached.

### **Resolution of Outstanding Appeal**

25. The proposals contained in this report incorporate the resolution of an outstanding issue from the review of Chief Officer posts last year which was reported to Council in November 2010. An appeal against the decision to originally grade the post of Assistant Director – Transformation at Chief Officer Band AD3 has been investigated and re-assessed by the Hay Group. The Hay Group has confirmed that based on additional evidence and information provided, the size of the role should be increased taking it into the Chief Officer

Band AD2. Further change to this post will occur as a result of the proposed restructuring as set out in the report, however the Hay Group has confirmed that this will make no difference to the grade of the post and it should remain at AD2, assuming the recommendation to increase the grade on appeal to AD2 is agreed.

### **Financial Implications and Analysis**

26. Prior to the last corporate restructure effective in January 2011 there were a total of 22 Chief Officers. The Council currently has 16 Chief Officers, comprising 3 Directors and 11 Assistant Director posts and 2 Heads of Service paid at AD3 level as part of a recruitment and retention package. There are shared arrangements for one of the Assistant Director posts with Hartlepool BC who acts as the employer. Additionally there are other shared arrangements with Stockton BC for the management of Xentrall Shared Services which are not affected by the proposals in this report.
27. The proposals in this report result in a reduction of one post on a Chief Officer salary scale with the deletion of the Assistant Director – Building Services post. In addition, five are unaffected, 8 posts would have some change to their responsibilities which would not affect the grade of their post and 2 posts would require a change to grade due to different responsibilities from the restructuring exercise. At first and second tier level savings are anticipated to be £90k.
28. The structural changes proposed at Head of Service level and below in the three Groups are subject to wider consultation with staff and are required to enable greater integration of services into appropriate groupings and to maximise savings. It is anticipated the savings following on from this will be £710k.
29. The proposed amendments to the duties and responsibilities of Chief Officer posts have been referred to the Hay Group for job evaluation assessment. The Hay Group recently undertook a comprehensive review of all Chief Officer roles which was reported to Council in November 2011. This recent re-evaluation has followed a similar approach to ensure consistency and provide a robust defence to any challenge. A copy of the analysis of the impact on Chief Officer job evaluation and recommendations is attached as **Appendix B**.
30. The salary levels of all Chief Officer posts in the proposed structure are based on the Council's current grading structure for Chief Officers. It is proposed that Assistant Directors in the new structure will be appointed at current salaries where slot in apply, that protection arrangements apply where grades are decreased and the minimum salary point paid if a grade is increased.

### **Implementation Arrangements**

31. The recruitment of Chief Officers is a function of Council delegated to members of the HR Panel and subject to approval by Council of the revised structures at the top two tiers, it is recommended that appointments to the new structure takes place as shown in the table below.
32. The changes affecting Chief Officers as a result of the proposals set out in this report are considered to meet the criteria to be "slotted in" in accordance with the Council's Management of Change Policy. The table below identifies how the process will be

implemented and it is proposed that the current incumbents of the posts are slotted in as shown. The criteria are as follows:-

- (a) The employee is already doing a substantial proportion of the revised post
- (b) No other Darlington Borough Council employee has a justifiable claim on the post, and
- (c) The employee would be in a potential redundancy situation if they were not to move to the revised post.

<b>Current Job title</b>	<b>Current Grade</b>	<b>Proposed Job title</b>	<b>Proposed Grade</b>
Assistant Director - Children, Families and Learning	AD1	Assistant Director - Children, Families and Learning	No change
Assistant Director - Transformation	AD3	Assistant Director - Transformation	AD2 (as a result of appeal)
Assistant Director - Community Services	AD1	Assistant Director - Community Services	No change
Assistant Director - Highways Design and Projects	AD2	Assistant Director - Highways Design and Projects	No change
Assistant Director - Policy and Regeneration	AD2	Assistant Director - Policy and Regeneration	No change
Assistant Director – Housing and Adult Social Care	AD1	Assistant Director – Housing and Building Services	AD2
Head of Adult Social Care	AD3	Assistant Director – Adult Social Care	AD2
Assistant Director – Building Services	AD3	Vacant post deleted	N/A

### **Scheme of Delegation**

33. The new structures require changes to the Council’s Scheme of Delegation. The Scheme was revised in November 2010 to delegate to Assistant Director level. The scheme will therefore be amended as a consequence of the changes to Assistant Director responsibilities outlined above. There will be no change made to the level of delegation within the scheme.

### **Outcome of Consultation**

34. A period of consultation with the Trade Unions and staff directly affected together with the wider workforce on broader restructuring proposals which do not require Council approval will be undertaken. Consultation has been undertaken with the seven chief officers affected by the restructuring proposals and two responses were received relating to :-



- (a) job description, person specification, grade and ring-fence arrangements in relation to the Assistant Director – Adult Social Care in the People Group;
  - (b) grading of the Assistant Director – Housing & Building Services in the Place Group.
35. Detailed responses have been provided to those that commented. The structure and slot in arrangements as originally proposed are presented for Council’s consideration with the assurance that the appeals process will be followed where the grade of a post has been queried.

### **Conclusion**

36. This report enables the decisions made by Cabinet on 3 April 2012 on the options for Place based services to be implemented. The changes are necessary against a backdrop of major reductions in Council resources where the priority is to protect as far as practicable direct service delivery to the public.

APPENDIX A – Structure charts

APPENDIX B – Hay JE report with recommendations