

Report to: Cabinet

Date of meeting: 5 February 2024

Report author: Chief Executive

Title: Delivering a balanced Medium Term Financial Strategy
Review of senior management structure at Watford Borough Council

1.0 Overview

- 1.1 In response to the Council's budget challenges, this report sets out proposals for a new senior management structure for the Council.
- 1.2 The Council is facing significant financial pressures primarily driven by external pressures including, inflationary pressures in pay and contracts, and increasing demand for services. In addition, the Council has seen a 50% cut in real-term un-ringfenced grant funding over the last 10 years. These pressures have created a significant budget deficit in the Council's Medium Term Financial Strategy (MTFS). As a result, the Council is undertaking a programme of efficiency reviews and service redesigns, which will continue throughout the remainder of the MTFS. As part of this programme, a comprehensive review of senior management functions driven by the need to meet our budget deficit has been undertaken. Budget efficiencies from this review will be used to meet the budget deficit in the MTFS.
- 1.3 In addition to the significant financial pressures facing the Council, it is going through times of unprecedented pressure and change. There are macro trends such as sustainability, an ageing population, inequality, increasing digitalisation, the levelling up/devolution agenda, health and care reform, increasing numbers of asylum seekers, the crisis in Ukraine and Gaza/Israel, and ever-changing community expectations for which councils must be prepared.
- 1.4 Local government has a key role to play in contributing to a response to these issues and the Council must ensure that it is, as far as possible, appropriately resourced to remain relevant to the community of Watford. Further, the role the Council has as a leader of place has never been so important; it is not enough simply to make decisions on Council services and oversee their effective delivery, the Council must also shape, convene and strategically lead other partners in Watford and beyond to secure the best outcomes for our community and address the unprecedented challenges the entire public and voluntary services system is facing. However, within the context of significant budget challenges and the erosion of the financial stability of local government, this is extremely challenging.
- 1.5 The restructuring proposals set out in this report will seek to deliver as best we can in the current environment against these global challenges, the changing policy landscape for local government, our role as leader of place as well our ambitious four-year Council Plan.

- 1.6 The proposed new organisational and reporting structure is for the second and third management tiers at the Council. It creates two substantive directorates, one headed by an Executive Director, the other by a Director, with each supported by three Associate Directors. The structure also assigns the role of Monitoring Officer as an additional duty to an existing member of the Corporate Management Team.
- 1.7 The proposed structure deletes the role of Executive Director of Corporate, Housing & Wellbeing Services (vacant), and two Executive Head roles introduced in 2022. The Council was unable to appoint a suitable candidate to the role of Executive Director of Corporate, Housing & Wellbeing Services and consequently two Executive Heads have been acting up to a Director level in the intervening period.
- 1.8 The proposed new structure also deletes the role of Group Head of Democracy & Governance (the postholder currently discharges the statutory role of Monitoring Officer).
- 1.9 Staff below these management tiers are not directly impacted by these proposed changes, although some may have a new line manager.
- 1.10 The roles of the Executive Head of Human Resources & Organisational Development and the Chief Finance Officer (Section 151 Officer) are not impacted by the proposed changes.
- 1.11 Consultation with Unison has been undertaken and there are no objections to these proposals; and advice from the Executive Head of Human Resources & Organisational Development has informed this report.

2. Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
The Council is unable to deliver effectively its statutory duties, Council Plan and Mayoral objectives	The Council suffers a loss of reputation	Reset KPIs, service standards and Delivery Plan 2024-2026. Redeploy capacity to provide additional business support	Treat	3x3=9
The Council does not provide adequate employee development and succession planning	Key staff will leave	The Council continues to provide opportunities for development and has protected the corporate training budget	Treat	3x3=9
The Council is unable to retain staff	The Council Plan and Delivery Plan may not be able to be delivered, putting a strain on senior officers left within the Council	Culture, remuneration packages and development opportunities remain under review	Treat	3x3=9
Consultation is not carried out as required by employment rules	The Council is challenged for breach of procedure or employment law requirements	Ensure proper consultation with trade unions and staff	Treat	2x4=8
Costs of implementation	Council finances become stretched impacting the MTFS and potentially	Exit arrangements have been agreed	Treat	2x3=6

exceed budget provision	requiring savings to be found elsewhere			
Affected staff make employment tribunal claims	Affects the Council's reputation as an employer and has financial consequences whether or not the employee is successful	Ensure compliance with all contractual obligations and complete necessary agreements	Treat	2x3=6

3. Recommendations

Cabinet is asked to:

1. Approve the deletion of the following roles:
 - Group Head of Democracy and Governance
 - Executive Director of Corporate, Housing & Wellbeing Services
 - Executive Head of Strategy & Initiatives (Partnerships & Community)
 - Executive Head of Strategy & Initiatives (Sustainability & Culture)
2. Approve the permanent establishment of the role of Director of Performance & Partnerships.
3. In regard to the Council's Monitoring Officer:
 - a. Agree the assignment of the statutory role of Monitoring Officer to the duties of an existing member of Corporate Management Team
 - b. Note that following an internal recruitment process, a recommendation to appoint a new Monitoring Officer will be made to Annual Council in May 2024.
4. Note the realignment of services following the deletion of the posts referenced at recommendation 1 above.
5. Approve the adoption of the new senior management structure as set out in Appendix 1.
6. Agree to delegate all related constitutional changes, including the scheme of delegation, to the Monitoring Officer.

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4. Detailed proposal

4.1 Background

- 4.1.1 Watford Borough Council has always managed its council finances extremely well, by growing income streams and tax bases, building resilience through reserves, managing

demand, integrating services, moving to new delivery models, sharing and digitising services. As such, it has not previously been necessary to consider significantly reducing what the Council provides. However, the Council is not immune to the current financial crisis facing local government and must take steps to balance its budget over the period of the MTFs. To achieve this, the Council must reduce its cost base, and part of the drive to achieve this involves considering changes to the senior management structure.

4.1.2 The Council is required to serve its residents in the most cost effective and efficient way, delivering its duty of best value and responding appropriately to its external and internal context. That requires a continual reassessment of the manner in which its resources are organised. Within the context of the current budget deficit such an assessment has been undertaken.

4.1.3 Under the Local Government & Housing Act 1989, it is the responsibility of the Head of Paid Service (the Chief Executive) to prepare a report for the authority when considered appropriate setting out proposals as to the:

- manner in which the authority will co-ordinate their functions
- number and grades of staff required by the authority for the discharge of their functions
- organisation of the authority's staff
- appointment and proper management of the authority's staff.

4.1.4 Whilst a senior management review was carried out in early 2022, this was before the UK's fiscal outlook materially worsened in November 2022 significantly challenging the deliverability of the Council's MTFs. Given the impact of low growth, high inflation and the cost of living crisis on the Council, the current management team organisational designs and structures require re-assessment.

4.1.5 In viewing the following proposals, Cabinet will be aware that the Council is required to have a number of statutory officers:

- Head of Paid Service, currently held by the Chief Executive
- Monitoring Officer, currently held by the Group Head of Democracy and Governance
- Section 151 Officer, currently held by the Chief Finance Officer
- Returning Officer, currently held by the Chief Executive.

These are specific roles the Council must have. Whilst it is possible for officers within those posts to be shared with other authorities, the arrangement is different to that of a shared service in that for the purposes of performing their statutory roles they are formally seconded to the authority under s113 of the Local Government Act 1972. It should be noted that apart from the Monitoring Officer these roles are not impacted by the proposed restructure.

4.2 **Rationale for restructure and proposals**

4.2.1 The Chief Executive and Executive Head of Human Resources and Organisational Development have undertaken a comprehensive review of the senior management structure. The review included consideration of the:

- Challenging budget situation
- Alignment of the strategic leadership team with the structure, having regard to reporting lines and direct reports, including cost and efficiency
- Issues of strategic capacity and resilience, having regard to key council priorities
- Service and operational structures and alignment where issues need to be addressed
- Challenges of recruitment, retention and succession planning for the Council and local government more generally
- Competencies and behaviours the Council expects from its officer leaders and senior managers.

4.2.2 The review concluded that, if the Council continued to operate in the same way and with the current structure, it could not deliver a balanced budget. In addition, and with the context of organisational voluntary redundancy, not reviewing the management structure could have an adverse impact on staff morale and commitment, as well as the delivery of key front line services, as set out at paragraph 4.3.1.

4.2.3 The review also concluded that the authority must seek to retain the benefit of the work completed in 2022 which created a blueprint for building succession into the organisation and developing and retaining its future leaders, as well as setting a consistent foundation of behaviours (competencies) and values to recruitment and performance management across the second and third tiers of the organisation. This framework is delivering benefits and, as the recent LGA Corporate Peer Challenge recognised, the cultural change has led to standards being raised for the benefit of the local community.

4.2.4 The proposed changes were also assessed within the context of the wider agenda for local government, including the government's plans for greater devolution and Levelling Up. These require the Council to continue to prepare for greater partnership working locally, regionally and nationally. It is therefore critical that the Council retains senior leaders with well-developed strategic, critical and systems thinking skills and competencies who can work corporately to meet a range of complex and dynamic challenges.

4.3 **Restructure proposals**

4.3.1 Whilst the proposals will significantly diminish corporate capacity by reducing the Strategic Leadership Team from five posts to three, it is considered that an alternative strategy to achieve a comparable level of saving – equivalent to the deletion of approximately six Band 6 posts – would have a far greater detrimental impact on the delivery of services for the communities of Watford.

4.3.2 The proposed senior management structure seeks to retain an agile organisational arrangement with clear spans of control and oversight. With the introduction in 2023 of the new Service Delivery Leads, it is hoped that despite the significant reduction in corporate capacity there will remain sufficient capacity at a senior and middle management level to lead service improvement and drive change in the organisation. The

proposed structure also builds on the established model that the Council's resources are viewed as a whole with the senior management structure part of an inter-connected system linked to the Council's other staff and the Council's shared values.

4.3.3 The new Strategic Leadership Team will operate within two tiers:

Tier 1 The Chief Executive

Tier 2 Executive Director of Place
Director of Performance & Partnerships

The Council's Monitoring Officer, Executive Head of HR & OD (shared with Three Rivers District Council) and Chief Finance Officer/Section 151 Officer (seconded to Watford for 80% of her time) will report directly to the Chief Executive.

The role of Monitoring Officer will be internally advertised, with the proposal that it is added as an additional duty to an existing member of the Corporate Management Team. It is also proposed that the Monitoring Officer will appoint a legally qualified Deputy Monitoring Officer as part of a shared services arrangement. The Chief Finance Officer/Section 151 Officer will continue to report to the Director of Finance at Three Rivers District Council in accordance with shared service arrangements in relation to responsibilities for delivery of the shared finance service with Three Rivers (20% of role).

This approach will ensure that the Council remains fully compliant with its statutory duties, though the impact of not having a full time Monitoring Officer or a full time directly employed Chief Finance Officer/Section 151 will inevitably impact on the strategic leadership capacity of the Council in the ever changing and increasingly complex operating environment for local government.

4.3.4 The Corporate Management Team will incorporate the above officers plus a further tier of six senior officers, three reporting to the Executive Director of Place and three to the Director of Performance & Partnerships:

Tier 3 Associate Director of Property & Asset Management
Associate Director of Environment & Communities
Associate Director of Planning, Infrastructure & Economy

Associate Director of Customer & Corporate Services
Associate Director of ICT & Shared Services
Associate Director of Housing & Wellbeing

The role of Monitoring Officer will be internally advertised, with the proposal that it is added as an additional duty to an existing member of the Corporate Management Team. It is also proposed that the Monitoring Officer will appoint a legally qualified Deputy Monitoring Officer as part of a shared services arrangement.

4.3.5 Discussions have taken place with Corporate Management Team regarding the option of adding the statutory role of Monitoring Officer to the responsibilities of an existing team member. It is understood that there is interest in this opportunity. In view of this, and as it

is anticipated that no new appointments will be required, there is confidence that the Council's senior leaders will comprise strategic thinkers with the ability to take on cross-cutting corporate issues and to maintain collective responsibility for organisational challenges and opportunities, albeit with considerably reduced strategic capacity.

4.4 Financial costs/funding arrangements

4.4.1 The key and sole driver for the restructure is to contribute to savings required to manage the MTFs.

4.4.2 Annual savings from the reduction in the Corporate Management Team are around £257,000.

4.4.3 The salary ranges in respect of the Corporate Management Team are not changed as a result of these proposals and are unchanged since the review in 2022.

4.4.4 Following a market assessment undertaken by the Executive Head of HR & OD, it is recommended that an addition to salary of up to £6,000 per annum be awarded to the member of the Corporate Management Team confirmed by Full Council as Monitoring Officer. The addition to salary is to reflect the extra responsibility and accountability relating to the discharge of the statutory role of Monitoring Officer.

4.5 Implementation arrangements and effective dates

4.5.1 There are no new appointments and therefore the Local Authorities (Standing Orders) (England) Regulations 2001 (as amended) does not apply.

4.5.2 The Council is also required by sections 38-43 of the Localism Act 2011 to publish a Pay Policy Statement by the 31 March for the next financial year setting out the remuneration levels, all other payments, severance and retirement of Chief Officers and this must be approved by Full Council. The current pay policy statement approved by Council in March 2023 will need to be amended to reflect the proposed new structure and levels of remuneration indicated in this report and appendices. The new structures will form part of the next Pay Policy Statement.

4.5.3 The Council's Human Resources procedures have been applied and appropriate agreements reached with the Group Head of Democracy and Governance, and the Executive Head of Strategy & Initiatives (Partnerships & Community).

4.5.4 The realignment of services currently managed by the Executive Head of Strategy & Initiatives (Partnerships & Community) will take effect from 1 February 2024, and from that date the postholder will work with the Chief Executive on identified projects.

4.5.5 The realignment of services currently managed by the Group Head of Democracy and Governance, with the exception of elections, will also take effect between 1 February and 1 May.

4.5.6 The termination date of employment for both the Executive Head of Strategy & Initiatives (Partnerships & Community) and the Group Head of Democracy and Governance will be 31 May 2024.

4.5.7 There is no requirement for formal consultation with staff relating to the restructure. However, all of the Corporate Management Team have been engaged in the proposals and staff who will have new managers have been briefed and provided with the opportunity to discuss matters. In addition, Unison has been engaged throughout and has no objection to the position outlined in this report.

4.6 Appendices

4.6.1 The following appendices are attached to this report:

Appendix 1: New senior management structure

Appendix 2: Equality Impact Assessment

5. Implications

5.1 HR/OD

5.1.1 The Executive Head of HR & OD comments there is no requirement for formal consultation with staff relating to the restructure. The Corporate Management Team has been engaged in the proposals and staff who will have new managers have been briefed and provided with the opportunity to discuss matters. In addition, Unison has been engaged throughout and has no objection to the position outlined in this report.

5.2 Financial

5.2.1 The Chief Finance Officer comments that the savings delivered by the structure outlined make a significant contribution to the service redesign savings included within the budget for 2024/25.

5.3 Legal Issues (Monitoring Officer)

The Group Head of Democracy and Governance comments that as is stated in the report the Head of Paid Service has a legal obligation under the Local Government and Housing Act 1989 to report on the appropriate structure for the organisation. Cabinet has the delegated power to determine the structure of the Organisation (including approving restructuring) and the overall number of posts for exercising all Council functions. Also as stated in the report it is a legal requirement under section 5 of the 1989 to appoint a Monitoring Officer the obligations under section 5 are as set out in appendix 2.

5.4 Equalities, Human Rights and Data Protection

5.4.1 An equality impact analysis on the new structure has been undertaken and is attached as Appendix 2 to this report.

5.4.2 Having had regard to the Council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

Background papers

Medium Term Financial Strategy