

Report to: Functions Committee
Date of meeting: Thursday 8 May 2008
Report of: Managing Director
Title: The Council's Organisational Structure

1.0 **SUMMARY**

1.1 The Managing Director as Head of the Paid service has a statutory responsibility to advise the Council on the appropriate organisational structure needed to fulfil its objectives. A process of review of the appropriate shape of the organisation and disposition of senior posts has been undertaken and changes are proposed to ensure the staff organisation is able to respond effectively and efficiently to the demands of the Council.

2.0 **RECOMMENDATIONS**

- 2.1 That the structure shown at appendices 2 and 3 be agreed;
- 2.2 That the need for ongoing changes to the Resources part of the structure be agreed;
- 2.3 That the Managing Director be authorised to implement the structure, including the second phase involving all staff, within budget and subject to any further consultation necessary;
- 2.4 That implementation be generally as soon as is possible except where the Managing Director considers it to be in the council's interest to phase changes.

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3.0 **INTRODUCTION**

3.1 The current organisational structure was largely determined in 2003 by the Interim Change Manager although I did make a few changes both at the outset and as opportunities arose. As Head of the Paid Service I have a statutory duty to keep the structure under review and to advise the council of any changes I deem necessary.

3.2 This report explains why I think it is time for some changes and my thoughts on what these should be. Some ideas were discussed at the Corporate Management Board/Management Team (CMB/MT) away day last year and earlier this year I produced a consultation document which was made widely available for comment and held discussion sessions with departmental heads and with all senior managers. Many staff and some councillors engaged with the process through discussions with me, individually and collectively and by email.

3.3 As a result of these consultations I have made a number of changes to the initial proposals which I believe has improved them and will ensure greater staff support but I have not accepted all proposals and so some staff will be disappointed.

3.4 The proposals are those that I believe will best help the council move forward because they combine service areas in a way I think will create synergies while achieving reasonable overall balance in workloads but I am well aware that many alternative combinations of functions and services could work.

3.5 The proposals are mine and no-one else's responsibility.

4.0 THE CURRENT LANDSCAPE

- 4.1 **Facilitation.** We are continuing down the path of supporting others to provide some services rather than provide them solely by ourselves as in the past. The most obvious and largest area is the former housing stock now managed by the Trust. The new leisure centres will be operated by a private contractor and the community centres are increasingly being managed by the community and voluntary sectors. The shared services initiative, particularly in support services, shows we can get greater efficiencies, improved service levels and greater resilience by working with a neighbouring council. The county council is at last taking more responsibility, directly or indirectly, for youth services and meals on wheels.
- 4.2 **CPA.** We have an improvement plan to progress to excellent CPA standard. It requires us to improve consistency across the council in procedures and processes and to embed the improvements we have made. We also need to develop clearer outcomes from our One Watford partnership working.
- 4.3 **Sub national structures.** The government's sub national thinking is being developed as is a new regional economic strategy. Watford has been designated a key centre for development and change (KCDC) and the East of England Development Agency (EEDA) is developing the idea of a London Arc covering most of Herts and part of Essex. This area could become the subject of a Multiple Area Agreement (MAA).
- 4.4 EEDA will take over from the East of England Regional Assembly but whichever body is in being we will have to deal with them over transportation and congestion, skills shortages and the need for more housing. The Eastern Region Cities Initiative excludes Herts towns and we need to consider how to avoid being left behind.

- 4.5 **Local Area Agreements (LAA)** These agreements between national and local government are assuming central importance and are negotiated at county level. They will be monitored by the Audit Commission's new Corporate Area Assessment (CAA). Herts Forward (county LSP) has devised a new community strategy for Herts which we have influenced.
- 4.6 One Watford (the Borough LSP) will need to be clearer about local needs in the areas of economic development & enterprise, health & older people, children & young people and to a lesser extent safer, stronger communities than it is now and the actions needed to meet those needs. We will then be better able to ensure the LAA reflects Watford's needs. We also have to update the sustainable community strategy.
- 4.7 The provision of LAA reward money in 2009 and 2010 (perhaps £500k each year) will allow One Watford to commission initiatives. We are developing suitable governance arrangements to manage that resource. There will be a wider role for borough and county scrutiny committees in examining partnerships.
- 4.8 **Pathfinder.** We are part of the pathfinder to develop improved two tier working with the county council. We need to be clear about what we want from it and are willing to put into it. If it doesn't succeed, unitary council options could well be resurrected possibly involving a unitary county but that is at least 3 years away.
- 4.9 **Local Priorities.** The 2008/2010 part of the medium term plan for 2006/2010 has been worked up in more detail.
- 4.10 With the big strategic projects (campus & family friendly town centre) we need to progress Charter Place and the Civic Quarter especially from the arts/culture perspective, creating opportunities particularly for young people (cinema, museum, art gallery, arts centre, Pumphouse, Palace, civic squares/open spaces in these areas etc).

- 4.11 Providing input to schemes such as West Herts College, Watford Junction Station, and Leavesden (former Rolls Royce site mainly within TRDC) while peripheral in some senses, is essential and resource intensive. Delivering the health campus remains a high priority.
- 4.12 While we have a positive story to tell on big projects, we struggle with some of the smaller projects. In part this is because members and staff keep uncovering more things that deserve attention (eg cemeteries, trade waste) that are not currently resourced priorities but there are also structural barriers too and so I have proposed much greater focus.
- 4.13 Members want even more emphasis on cleaner, greener and safer services eg waste sustainability, sponsored roundabouts, improvement of open public spaces. Watford is a good place to bring up a family and members want us to have top class facilities (eg the best playgrounds) and to mainstream disability (eg with the design of playgrounds). Cleaning, open spaces and playgrounds are the current top service priorities.
- 4.14 As the town is compact, the town centre matters a lot. As well as pursuing family friendly policies, we need to invest in making it look good. HCC is unlikely to prioritise that, so if it is to happen we must do it (eg promoting the ring road/flyover scheme).
- 4.15 We need to consider how LDF can be used radically to assist council objectives. We need to ask what putting the customer at the heart of the council really means for every ward and every service area and how we can monitor standards of delivery.
- 4.16 Resources to improve value for money have been targeted at the shared services and leisure centre programmes and other services have not yet been tackled in the same way. There are things that deserve attention (eg home working) that are not currently resourced priorities.

4.17 You should also refer to my Stock Take report to Cabinet 21 January 2008 and the A3 map of influence that accompanied it.

5.0 ISSUES

5.1 **Away day review.** At the CMB/MT away day at the end of July there was consensus that the future characteristics of managing in Watford would be

- A slimmer structure
- Facilitating, commissioning and monitoring of service delivery
- A focus on outcomes and service deliverables
- Shaping the regional and sub regional agendas
- Greater cost efficiency and effectiveness

The consensus on the future role of senior managers was –

- Managing differently due to the changing workplace, ways of working and greater management of partnerships
- Providing clear direction and leadership
- Outward facing, focussed and strategic and so willing to delegate
- More collective with shared responsibilities
- Managing fewer, more flexible staff
- Good project and performance management skills
- To challenge and improve the efficiency both individually and collectively, of processes

5.2 It is clear to me that the skill set that has worked for senior managers so far might not be sufficient in future. The importance of negotiation, persuasion and networking skills has grown considerably, for instance. We need to be sure that we have the best team in place to lead the organisation through the next five years.

5.3 **Context.** We are at a crossroads. We have progressed quickly from below “poor” to “weak” and onto “good” but the journey ahead is not just more of

the same and the landscape is becoming ever more complex and demands new skills and abilities.

- 5.4 We have a big agenda. Most similar sized councils would opt out of the regional/sub-regional agenda but that does not fit with the council's ambitions. Along with our key partners we need to be clear about the town's needs, how best they can be met and develop our influence so we succeed in getting the necessary resources. It also means having schemes that can be moved ahead quickly when resources become available due to other councils/organisations underperforming or when new central government initiatives are announced.
- 5.5 Thus at the same time, we need to progress the big physical developments in Watford that we can influence, move our front line services up a gear whether through direct, indirect or external provision, streamline our support provision and ensure our processes and procedures are consistently good across the council, all in a national climate of tight money for local government.
- 5.6 Members will be reviewing their own governance arrangements to meet these challenges and developing their influencing and leverage skills (eg at region, at county, with One Watford, with WCHT etc). They also need to develop further their community engagement and capacity building skills.
- 5.7 There are implications for staff too. Commissioning, project management and client monitoring skills are becoming more important, along with negotiation and influence. At the same time there is a wish to reduce the council's cost base and so the trick is to streamline while strengthening capacity.
- 5.8 **Strategy & operations.** I have considered the strategy/operational split in the current structure (see Appendix 1) reflected in the director/heads split. It has been broadly useful although in practice it has worked sub-optimally.

Directors have been overly involved in operational matters at the expense of their wider agenda. No doubt that was inevitable given the scale of the crisis we faced, the relative inexperience of some heads when appointed and the pressure not to make any serious mistakes.

- 5.9 Rather than abolish the split by replacing directors and heads with perhaps five directors combining strategic and operational roles, I want to keep the division of responsibilities and reinforce it. The growing agenda at regional, sub regional and county level feeding through to One Watford, needs directors who can leave operational issues to heads. Some of the big, time consuming projects led by directors such as the leisure centres and housing stock transfer have ended or moved on significantly, such as shared services, and while there are more big projects in the pipeline they should not be so all consuming and much has been learned to inform future work.
- 5.10 We need heads who can get on and deliver the agreed agenda of service improvement without much hand holding. The worst problems with service provision have been resolved although there is much left to do. The next stage is to strive for excellence by reviewing and improving the way services are delivered and ensuring efficient, effective and value for money procedures exist throughout.
- 5.11 ***Corporate and departmental.*** I believe the current divide between what we provide through corporate departments and what via service departments is broadly right. I believe in service departments having some administrative capacity and have not been convinced that putting it all into a central unit would work.
- 5.12 Corporate departments ought to assist in co-ordination of complex areas rather than carry out all the functions for service departments. I know some managers have found it difficult to come to terms with the need to be responsible for working up and then monitoring their budgets, selecting and

developing their staff, ensuring equalities and health and safety requirements are met and that there is effective performance management in place etc. These are all managerial tasks expected of managers worldwide; it is unrealistic to manage a service and expect not to deal with these matters.

- 5.13 **Focus.** I consider it important that staff can focus on their areas of expertise and be supported by well qualified and/or experienced supervisors and managers who know what they are doing. Despite the availability of the management development programme we still have too much variation in the quality of our middle management. This requires attention as the heads need to be able to delegate with confidence.
- 5.14 We see a lack of project management skills, not on the big projects but on the more routine small and medium ones. It causes intense frustration to members as usually it means that projects do not begin when they should and might well run over time or budget. This is despite training and the provision of templates. An aspect of this is the examples of procurement and contract management that could be dealt with better despite the training and availability of expert guidance.
- 5.15 **Tiers and pay scales.** I would like to see fewer organisational tiers. There is a role for supervisors with spans of control that do not become too large but we need to be wary and avoid having too many posts called “manager” that are not really managers in practice. It should not just be a device to pay someone more. We need to value our professional and technical specialists and accept that they will not all make good managers and some might not want that role. If there is a problem with their pay scale then we should look objectively at whether there is a case for a market factor for retention of a specialist.
- 5.16 I would also like to see greater consistency in the design of structures across the council. We should agree some basic principles about the

number of tiers, span of control etc and then follow through with greater consistency in the JE grading of posts (ignoring market factor adjustments).

5.17 There may well be exceptions. Two heads currently each manage about a quarter of all staff by headcount. Others manage very few. Of course many other factors are relevant to the pay scales for heads but the current arrangement does not appear to be as fair as it ought to be. There is a case for rebalancing the responsibilities and/or introducing pay differentials (at present all heads are on the same scale). The difference has been most noticeable between heads of front line service departments and those responsible for resource areas. While so much recovery work was needed, there was a case for having relatively small resource departments to support all the changes but that is no longer the case.

5.18 **Corporate working** Much of what we need to achieve as a council depends on staff in different disciplines working effectively together across sectional and departmental boundaries. There can be a case for creating an organisational structure based on these themes rather than departmentally. Either formulation has its pros and cons. In my view the themed structure is more appropriate when an organisation has reached excellence on the more traditional basis. The council was previously organised on non traditional lines, without having the basics right and lost its way. I believe there is still more to be done before such an approach could be considered again with any degree of confidence. We do have some impressive cross boundary working but also sometimes demonstrate too much of a silo mentality, not helped by office accommodation arrangements that minimise staff interaction. This is an area for further attention.

6.0 PROPOSALS

- 6.1 I have approached this review from both top down and bottom up. The bottom up approach has been an attempt to identify all the basic building blocks we need, although I have omitted all service administration and resourcing roles at this stage. All the basic building blocks were grouped together in boxes and against each box was a comment about the priority and/or pressure on the services in that box. The concept is that each basic building block will be the responsibility of a manager, directly accountable to a head of service for all the functions within that box.
- 6.2 The next task was to combine these basic building blocks (boxes) into viable departments. There was an element of top down in arriving at appendix 2 which is a table showing the building blocks consolidated into departments. The underlying principle has been that form follows function.
- 6.3 I have kept in mind the LAA blocks, tried to relate them to departments and to get a reasonable balance but it has proved to be difficult. There will need to be discussion of how much of a role is to be played by the heads and by the directors. The logic of my argument is that the directors will take the lead in these areas and there have been initial discussions about who will lead on which areas. However, I am conscious that some heads will want to get involved in some of these areas and even take the lead, as some do now. The primary role of a head of service will be to deliver on their service agenda. The final decision on a wider role and just how wide it should be will depend on the individual circumstances, eg workload, ability and developmental needs.
- 6.4 There is a pressure to reduce the number of senior management posts to reduce costs and in recognition of our much improved performance and reduced need for “over management”. There is an opposite pressure to retain enough expertise and capacity to be able to undertake the demanding programme of the council and of government. Appendix 1 shows the current structure of three directors and ten heads of service.

Appendix 3 shows two directors and six heads plus an oversight of two shared service heads. The longer term position is likely to be two directors, five heads and part of a shared service director post. The numbers are reducing but phasing is proposed to ensure there is no sudden reversal of fortunes and because there are uncertainties with how and when some organisational issues will unfold.

- 6.5 Reducing from three to two directors has its risks but in the longer term two posts supporting the Managing Director should provide sufficient capacity. I propose that the change is phased in around the end of the calendar year and considerable preparation is needed especially around the arrangements for ensuring proper financial administration. Having discussed the proposed new structure with the current directors and bearing in mind the employment rights of staff, the current Corporate Director (Better Watford) will become the Executive Director of Services, the Corporate Director (Better Council) will become the Executive Director of Resources and the current Director of Finance will retire from the council.
- 6.6 The proposals for the Services side of the structure are comparatively straightforward. No doubt there will have to be a little fine tuning as the arrangements bed in but I believe we have a structure here that can see the council through the next five years or so with little need for review unless there are major changes initiated by the council or government that cannot be anticipated at present.
- 6.7 The one caveat is around the Transportation Section. Given the importance of transportation issues to the town it would be best to head this section up with a qualified transport planner. However, despite the wide range of demanding work available, it is possible that we will have difficulty recruiting such a person as we are not a highways and transport authority. If that is the case then I will have to move some of the functions into the Planning Policy Section under a planner with some expertise in

transportation and reduce the scope of the proposed transportation section.

- 6.8 The proposals for the Resources side of the structure are far from straightforward and will need to be kept under review as developments unfold over the next few years. I had originally assumed that BIS, Finance, HR and Revenues & Benefits would be at arms length from the council as a shared service “company” under a shared service director. The decision of Dacorum BC to pull out meant we could not justify having a shared service director managing the four services. Instead Three Rivers DC will manage two of the shared service heads while we will manage the other two. However, it is unclear how long that arrangement will last. Discussions are underway with another council and it is possible that the case for a dedicated director will then be made and the two shared service head posts will disappear from our structure chart. That is likely to be at least a year away.
- 6.9 The other change is that I intend to phase in the reduction in directors. The loss of the Director of Finance, who carries the S151 chief finance officer function, creates difficulties. It is a client role and more work is needed on how the client roles, especially this one, will work in future in relation to the shared services. We cannot afford to reduce a director role right now only to find we have more teething troubles with shared services than expected. The Head of Finance left a few months ago and has not been replaced as the new Finance Shared Service will deal with these functions. However, we need to be confident that there is no prospect of the council reverting to the financial state it was in some years ago.
- 6.10 Appendix 4 indicates the S151 Officer functions that will need to continue to be undertaken. The importance of the work justifies head of service designation and without that there will be no prospect of attracting the right candidate. However, even with the addition of responsibilities as shown in appendix 2 it will be difficult to justify the proposed post of Head of Strategic Finance as a full time post. One possibility is to share the role

with another council, or we could seek someone who wants to work part time. If we are forced to create a full time role we can look to the postholder to take a greater share of corporate responsibilities.

6.11 One way around the problem would be to merge the role with that of the Corporate Services department. However, that would mean a number of critical functions would have to be managed by someone who was a qualified accountant. In my experience most accountants have little interest in managing such functions and are often not very good at it. In time this option might have to be considered again but at the moment I do not believe it would serve the council well. The role could not be combined with that of Head of Legal and Property Services because it is not permissible to combine the roles of S151 Officer and Monitoring Officer and both need to be undertaken at head of service level.

6.12 The position is further complicated by the proposal to have a second phase of shared services. The candidates so far identified are legal services and the customer services centre. If these services were to transfer into the shared services “company” in say, two years, there would be a need to reshape the arrangements under the Director of Resources. Thus it could be envisaged that with the transfer of more functions and the creation of a shared services director, there would be two heads responsible to the Director of Resources for the remaining functions.

6.13 Given all these uncertainties about the Resources side of the organisation, my proposal is to create the three heads posts shown in appendix 2 (excluding the responsibility for managing some shared service heads). Over the coming months we will find out whether we need to fill the finance role part time or full time and will get initial experience of how the shared services are operating. The structure will then be adapted as greater certainty emerges. The Resources side of the structure needs to be seen as a work in progress.

6.14 As soon as the outline structure has been agreed, ie the directors, heads and section heads posts (as represented by the building blocks), I will recruit to them. I will then work with those staff to cascade structural change throughout each building block in order to ensure we have the right capacity in numbers, skills and ability, to achieve our demanding agenda for the next five years. I envisage the need to create extra capacity in some areas that are high political priorities if we are not geared up to meet expectations. Other areas will be looked at with a view to streamlining.

6.15 It will be an early priority to develop a plan, timetable and process by which the restructure will take place post approval. I appreciate that the rolling out of the changes needs to be a well managed and transparent process, effectively communicated.

7.0 **IMPLICATIONS**

7.1 **Financial**

7.1.1 The Director of Finance comments that the proposals are intended to be within the current budget, as reduced to reflect shared service savings in due course. Any redundancy costs that cannot be contained within revenue budgets can be funded from the Special Projects reserve, in line with its approved use. There is budget provision for pension strain costs arising from early retirement, the adequacy of which will depend on individuals' circumstances and timing of retirements.

7.1.2 The report explains the complexities of ensuring the council has adequate financial advice and support in future. I will be continuing to work with the MD to ensure we get this right before I leave.

7.2 **Legal Issues** (Monitoring Officer)

7.2.1 The Head of Legal and Democratic Services comments that the proposals comply with legislative requirements. Independent advice has been obtained from Eversheds about the rules to be applied to staff whose jobs are affected by the restructure. This was done as the senior staff who would usually advise the council, including myself, have a personal interest.

7.3 **Equalities**

7.3.1 As indicated above, legal advice has been taken to ensure the rules applied to agreeing who gets which post etc complies with the law as well as council policies.

7.4 **Potential Risks**

7.4.1 The risks of not restructuring, or of a flawed restructure, are covered in the Council's Corporate Risk Register.

7.5 **Staffing**

7.5.1 As indicated in the report there has been extensive consultation with senior staff. The next phase which will involve all other staff will also see them fully consulted.

7.5.2 The draft report was also provided to Unison. No comments on the structure were received but Unison has asked for clarification on how staff will be selected for posts, what will happen if they are unsuccessful and for a timeline so they can gear up to advise their members who need assistance. As indicated in the report a timetable will be an early priority. The "rules of engagement" for staff will be the same as used in earlier reorganisations.

7.6 **Accommodation**

- 7.6.1 There is enough accommodation but the Town Hall is not conducive to corporate working. The review that is underway will determine whether there is a better use of the building and, if not, how it could be remodelled to provide more useful office accommodation.

Appendices

Appendix 1 is the current organisational structure

Appendix 2 is the consolidated building blocks

Appendix 3 is the proposed organisational structure

Appendix 4 is the statutory role of the Chief Finance Officer

Background Papers

No papers were used in the preparation of this report.

File Reference

None