

Report

Council



Part 1

Date: 29 September 2015

Item No:

Subject Senior Management Structure and Salary Conditions

Purpose To propose changes to the Head of Service structure, reduce the numbers from a 9 to 8 model arrangement, whilst also broadening the scope of some Head of Service roles.

To acknowledge the pay differentials for these roles with neighbouring authorities and wider recruitment markets. This has presented on-going recruitment/retention issues; To acknowledge that Council will be asked to formally review Head of Service Pay in June 2016.

Author Will Godfrey – Chief Executive

Ward All

Summary The Head of Service structure was last considered by Cabinet in 2014, matters related to pay were deferred until the pay structure for Total Reward was determined. Additionally, the pressure to reduce management costs and realign services is a constant challenge and one which has been cited during public engagement during the budget process. In the past 18 months, under the Right People, Right Skills, Right Place initiative circa £1.6m has been delivered in management savings.

There is clear evidence to suggest that recruitment and retention continues to be a problem. Pay is a significant factor. It is recommended that Council should acknowledge the need to address Head of Service pay and a recommendation will be made to do this in June 2016

Proposal Council is asked to resolve:

1. Agree the reduction to Heads of Service from 9 to 8 and a realignment of activities as set out in the report and endorsed by Hay Management Consultants in 2014.
2. To agree the proposed duties and responsibilities and agree to the external advertising for the Head of Streetscene and City Services at the pay grade of HOS level 2.
3. Acknowledge that Council will be asked to consider a report on Head of Service pay in June 2016. To agree the realignment of Heads of Service terms and conditions related to local holidays following bank holidays and the removal of Council paid professional subscriptions
4. Note the report has been endorsed by Cabinet on 1 September 2015.

Action by Chief Executive

Timetable Immediate

This report was prepared after consultation with:

- Strategic Directors
- Cabinet Members

Signed

Background

The Head of Service structure has been the subject of a number of Cabinet reports - October 2008, October 2012 and July 2014. All reports have highlighted the need to develop a senior level structure that provides capacity and appropriate alignment to drive forward the strategic change required to modernise services but also meet the growing financial challenges. Each report has also referred to the pay position for these posts, highlighting the increasing divide between pay in the council versus other Welsh authorities and then more generally across professional disciplines and pay markets.

In the Cabinet report of July 2014 the level of turnover in the then 10 posts had resulted in 4 vacancies, bringing with it immediate issues about the council's ability to recruitment and retain senior managers. The pay structure at this point was over 10 years old and Hay Management Consultancy (who were the original architects of the pay structure) were asked comment on the appropriateness of the pay structure and how it compared in today's climate – see Appendix 1. Contained in the report approved by Cabinet, Hay recognised the increased breadth of roles and reducing numbers of Heads of Service meant there was justification to alter the pay structures. They said:

'As a result of the above points related to market rates and the grading of roles we would support the Council's proposal for all Heads of Service roles to be paid a minimum of the bottom point of HS02 (£70,966) with potential progression to the top of HS01 - £87,382.' They went on to acknowledge the timing of this proposal and said *'If the Council does put in place the above arrangements it will need to consider how they fit with the pay policy adopted for its total reward project and develop an approach to the communication and governance issues involved.'*

Both the timing of the fieldwork by Hay in March 2014 and then the subsequent Cabinet report in July 2014 (Appendix 2) coincided with the council entering into negotiation on the design and arrangements for Total Reward for the rest of the workforce. Cabinet concluded that there should be no consideration of senior pay until such time as pay arrangements for the rest of the workforce had been concluded through a Collective Agreement with the Trade Unions.

Whilst an 8 Head of Service structure had been proposed by officers, Cabinet approved a 9 Head of Service structure. Consultation with post-holders began, realignment of some services took place and revised job descriptions were issued to those already in post. The new job descriptions moved towards broader strategic leadership capabilities across a range of service disciplines to acknowledge the changing emphasis of the council's operating model and a need for greater flexibility.

As acknowledged in the Cabinet report of July 2014, the alternative proposal put forward by the Chief Executive and his senior team for an 8 Heads of Service structure was reviewed by Hay. They said:

'We support this approach; a smaller number of higher performing Heads of Service is likely to better serve the Council, whilst enabling it to reduce cost, both direct employment costs and interim costs' and also stated *'Our view is that the functions that would be managed by Heads of Service under the proposals represent coherent and manageable groupings'*

These reports were presented to cabinet for agreement as there was no proposal to create new posts, hence didn't require agreement from Council. This report is different in that it proposes the creation of a new post and therefore requires agreement by Council as the employing body.

In February/March 2015, Total Reward negotiations were brought to a satisfactory conclusion and agreement between the respective Trade Unions and the council resulted in staff being balloted for acceptance (or rejection) of the Total Reward proposal in May 2015. Staff overwhelmingly supported the proposal, a Collective Agreement was signed and the outcomes of Total Reward were implemented through payroll in July 2015.

There were also changes made to terms and conditions of staff covered by Total Reward which are now out of line with those received by Heads of Service. For instance, under the Collective Agreement, there were changes made for the removal of the two local holidays following bank holidays and a compensating increase to annual leave entitlement. Also, in a small number of cases, for those who

received payment for professional subscriptions these were removed. That said, the changes were part of a suite of amendments made to terms and conditions which saw the majority of staff (i.e. 76%) mitigating any real or perceived loss with extra salary earning headroom. Aside from a pay review, unless similar changes are made to the Head of Service population, some of their terms and conditions will be at odds with those they manage. This could result in practical problems around who works or doesn't on the local bank holidays at Christmas and Easter.

Over the last two years, two external reports have highlighted Newport's relatively lower pay position at Head of Service level compared to other authorities and in the past 2+ years we have seen significant turnover in these posts. Without the ability to recruit, let alone retain, the council will need to acknowledge a different capacity of Head of Service might have to be recruited and/or additional costs will be incurred through the continued engagement of interims. To note, our reliance on interims was the subject of criticism by the Wales Audit Office during the council's Corporate Assessment in 2014.

Whilst it is recognised that the subject of senior management pay is contentious, the Council has to strike the balance between public expectation and the need to put in place an appropriate package to recruit and retain staff with the right level of skills for the significant challenges facing the Council.

Any proposal will require detailed preparation and needs to take into account emerging guidance from Welsh Government. Council will therefore be asked to agree to review Head of Service pay in June 2016.

Financial Summary

Moving to a 8 Head of Service model will deliver an ongoing annual revenue savings of £81,000. This is achieved through the deletion of the current post of Head of Streetscene. This is in addition to the £68,000 savings resulting from moving to the current 9 model from 10 previously. Both are in the Council's base budget currently.

Head of Service reconfiguration

In this respect, the proposed 8 Head of Service structure also seeks to address a rebalancing between the number of corporate services Heads against front facing service delivery Heads. Whilst we have demonstrated through external analysis by CIPFA, IFS and others, that the cost of the corporate centre is well below the Welsh average, nonetheless this move seeks to strengthen front facing service resources. It also acknowledges the potential move to an all Wales Shared Services model which is a proposal under the Williams Commission Report. However, whilst the Welsh Government intention works its way through, in the meantime, it allows the council to further develop portfolio synergies, exploit the skills of individuals and re- balance portfolios.

As with the synergy established between the work of Regulatory Services and Legal (implemented via the 9 Head of Service structure), there are similar synergies between opposite ends of the customer experience i.e. those universal services delivered to all customers and the volume of service requests, complaints and compliments received by the Contact Centre and the Information Station. This brings together and better aligns the duties covered by the posts of Customers and Digital Innovation and the vacant post of Streetscene, thus moving to a single portfolio of Streetscene and City Services. This will result in some residual back-office type activities being absorbed by the Head of People and Business Change. This was the proposal reviewed by Hay in 2014.

The new post of Head of Streetscene and City Services will be advertised at Head of Service pay band 2 (£72,385 - £77,946).

Those responsibilities under each Head of Service and the areas which will change as a result of this proposal can be found in Appendix 3. Those changes are highlighted for ease of reference.

Moving to the new structure

Subject to the agreement by Council, the new post will be advertised immediately. The realignment of services to the Head of People & Business Change will take place over the coming weeks.

Aside from the consultation with Heads of Service about changes to some of the terms and conditions which will require consultation with all Heads of Service, the structure proposal will change the nature of the roles of Head of Streetscene and City Services and the Head of People and Business Change. Clearly this targeted consultation will require issuing of new job descriptions to the relevant post holder/s; it will also include discussion with the appropriate Trade Unions

All matters relating to the appointment or remuneration of Heads of Service and any matters involving structural changes affecting the constitution need to be determined by full Council (as these will involve changes being made to the Officers' Scheme of Delegation).

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Structure – Retain 9 Heads of Service, recruit to remaining vacancies and acknowledge future redundancy implications	H	H	Proposing to move an 8 Head of Service structure, builds on synergies, skills and avoid future redundancies	Head of Paid Service/Council
Structure – Devise a different Head of Service configuration acknowledging that this has previously been the subject of 3 Cabinet reports in 5 years and reviewed externally by a structure/pay consultant	H	H	Overcoming uncertainty and regaining focus for senior teams is essential for on-going delivery of savings	Head of Paid Service/Council

Pay – Inequality continues within the senior pay bands which is inconsistent to the council's commitment to equality proofed pay arrangements	M	L	Proposing the adoption of an equality proofed pay structure	Head of Paid Service Head of People and Business Change
Pay – Until such time as there is a determination on pay the council will need to manage retention, recruitment, equality and motivational challenges	H	H	Communicating and developing staff as far as is possible, but acknowledging that the council is out of kilter in the sector.	Head of Paid Service/Cabinet/ Council
Pay – IRP's remit does not extend to all Heads of Service roles. Thereby resulting in a two-tier system of decision making which are inconsistent with each other	H	M	Proposal to Council to change the arrangements for Heads of Service as per its rights as the employing body	Head of Paid Service/Cabinet/Council
Terms & Conditions – To not realign the local holidays and professional subscriptions of some Heads of	H	L	Proposal to realign the terms and conditions with that of those covered by the Total Reward Collective Agreement	Head of Paid Service/Head of People and Business Change

Service, will result in a unreasonable differential with the workforce				
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* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Collective Agreement – Total Reward
Equality objectives

Options Available

These break down into three distinct areas:

Structure:

Option 1 – endorse the configuration of the 8 Head of Service Structure and seek to implement. This will result in the amalgamation of certain activities between Head of Customers and Digital Innovation and Streetscene, which will then be advertised externally. The residual back-office duties will be absorbed by the Head of People and Business Change.

Option 2 – do not endorse the recommendation

Pay:

Option 1 – do nothing

Option 2 – acknowledge the difficulties around pay and endorse the plan to ask Council to formally review Head of Service pay in June 2016

Terms and Conditions:

Option 1 – do nothing

Option 2 – realign the terms and conditions of Heads of Service to align with those set out on the Total Reward Collective Agreement

Preferred Option and Why

These break down into three distinct areas:

Structure:

Option 1 – endorse the configuration of the 8 Head of Service Structure and seek to implement. This will result in the amalgamation of certain activities between Head of Customers and Digital Innovation and Streetscene with residual duties absorbed by the Head of People and Business Change.

For the reasons set out in the report and recognising that these options have been developed and tested both internally and externally.

Pay:

Option 2 – accept and support the need for Council to agree a new Head of Service pay structure in June 2016. Once adopted this may need to be referred to the Independent remuneration panel for approval.

Terms and Conditions:

Option 2 – realign the terms and conditions of Heads of Service to align with those set out on the Total Reward Collective Agreement.

Comments of Chief Financial Officer

The savings coming out of the proposed re-structure is confirmed at £81k, along with a further £68k from the current 9 HoS structure from 10 previously, both currently in the Council's base budget.

The net saving will contribute to the base budget saving on 'right people – right skills' savings already included in the current year's budget and is not therefore an additional saving for 2016/17. Consideration will need to be given as to what, if any, budget provision is kept within the base budget to provide some capacity for funding any potential increase that may come about in June 2016. If no increase was agreed next year, any remaining budget would then also be allocated to the above existing saving target.

Comments of Monitoring Officer

In accordance with the Functions and Responsibilities Regulations, staffing and employment issues are non-executive functions that are either delegated to officers under the Scheme of Delegation or reserved to Council.

Under the Council's Constitution, any decisions in relation to changes in the Head of Service structure and/or relating to the remuneration of Heads of Service are reserved to full Council.

The Local Authorities(Standing Orders) (Wales) (Amendment) Regulations 2014 specifically require that all decisions relating to Chief Officers' pay must be taken by full Council. The Chief Executive, as Head of Paid Service, has a responsibility to ensure that the Council has sufficient staffing resources to discharge its statutory functions.

This Report recommends a revised senior management structure, with a reduction from 9 to 8 Heads of Service, and this proposal has also been endorsed by the Hay Report. This will entail deleting the existing Head of Customers and Digital Innovation post and creating a new combined post of Head of Streetscene and City Services on the same salary band. The post will then be advertised externally in accordance with the Standing Orders Regulations and a panel of Members will need to be established in due course to deal with the appointment. The implementation of the new structure will also necessitate a realignment of some services, with some elements the residual back-office services being reallocated to the Head of People and Business Change.

There is a need to harmonise the general terms and conditions for Heads of Service with the revised terms and conditions of other NJC staff, following Total Reward, particularly in relation to leave arrangements. Although this falls outside the terms of the Collective Agreement with the recognised trade unions, these minor variations can be implemented by agreement with the existing post-holders or by giving contractual notice.

The proposal to review the current Heads of Service pay structure will need to be reported back and approved by full Council in due course and is likely to require prior consideration by the Independent Remuneration Panel for Wales once their extended powers are brought into force under the Local Democracy Wales Act. Any revised scheme will need to be fair and consistent and commensurate with

the levels of responsibility involved and also reflect market factors, in line with the Council's general Pay Policy.

Staffing Implications: Comments of Head of People and Business Change

To note: the Head of People and Business Change has a personal interest in this Report and therefore these comments are being given by Senior HR Business Partner.

Structure

During the 2014-15 Budget Engagement exercise, reducing the numbers of senior officers was the number one response from the public when asked what we could do differently in order to save money. The proposal, therefore, to move to an eight Head of Service model is in keeping with the public view. The proposal should also assist with a re-balancing of Head of Service resource between Corporate Services and front line delivery. The preferred options(s) should continue to draw together complimentary service provision to support the Local Authority in becoming more efficient and effective, whilst contributing to the required budget savings. Cabinet will need to weigh up these benefits and consider how public expectations will be managed should the proposals be accepted.

Any formal amendments to the structure will require consultation with all affected employees. The proposed structure does not place any employee at risk of redundancy following the resignation of one current Head of Service. As a result this leaves the proposed structure with a vacancy which is supported for internal and external recruitment.

Option 1 - The proposal is to advertise the new post of Head of Streetscene and City Services at Head of Services band 2 (£72,385 to £77,946). It should be noted that the post was recently advertised in June 2015 as Head of Streetscene and City Services without success. This may be the opportunity to consider rebranding the post as Head of City Services, giving a new definition to the role.

Pay

Option 2 – There is clear evidence that the current Head of Service pay structure is out of date. To improve recruitment and retention a new pay structure is necessary. This will involve detailed work and the consideration of new arrangements being put in place by Welsh Government, such as the Independent Remuneration Panel. If the Council wishes to review the pay of Heads of Service in June 2016, further engagement of consultants may be required to complete a third (but up to date) review report.

Option 2 provides a clear commitment and timescale to review Head of Service pay which gives clarity to all parties.

Terms and Conditions

Option 2 -The realignment of the terms and conditions of Heads of service to align with those set out in the Total Reward Collective Agreement is supported. These would likely be deemed minor changes to terms and conditions and could be achieved through agreement with relevant employees.

Comments of Cabinet Member

The report has been considered and endorsed by cabinet at its meeting on 1 September 2015.

Local issues

n/a

Scrutiny Committees

There hasn't been consideration by Scrutiny. Employment issues are a matter for Council.

Equalities Impact Assessment

n/a

Children and Families (Wales) Measure

n/a

Consultation

During the budget consultation the issue of cost of senior management was raised. This proposal addresses some of the comments made by delivering savings in management costs.

Background Papers

Appendix 1 - Hay Report 2014

Appendix 2 - Cabinet Report July 2014

Appendix 3– Head of Service responsibilities as per the recommended structure change

Dated: 24th August 2015

Newport City Council

Review of senior management arrangements

Introduction

Working with his senior team the Chief Executive of Newport City Council has developed a proposal for a new second tier (Head of Service) structure. Hay Group were commissioned by the Council to conduct a 'light touch' review of the proposals to ensure they are fit for purpose and will meet the needs of the Council. As part of the project we have also been asked to comment on a proposal to provide additional flexibility in the use of the pay and grading structure for Heads of Service. Our remit does not include either the Strategic Director or Service Manager Structure, the levels above and below Heads of Service.

To undertake the review we have discussed the proposed changes with the Chief Executive and Leader, received a briefing from the Council's two Strategic Directors and Head of People and Transformation and had one-to-one conversations with each member of the Cabinet (a summary of our conversations with Cabinet members is contained as an Appendix). As can be seen from this summary Cabinet members have a variety of views on the proposals and some concerns. Further engagement with the cabinet before implementation would therefore seem advisable. We also used our extensive knowledge of organisational design and senior pay arrangements, particularly in local government and Wales.

The proposed changes to Newport's structure come at a time when Council's across Wales are under unprecedented pressure to cut costs and against the backdrop of the William's Commission report which is proposing wholesale change in the structure of local government. In the case of Newport the proposal is for a merger with Monmouth; a change which is to say the least contentious and is currently being debated. Whatever the outcome of the William's review, what is certain is that the Council will need to change significantly in forthcoming years in order to meet its aspirations with reduced resources. Consequently the proposed changes are relatively short term in nature and designed to serve the Council for around the next two years. We have reviewed them on this basis.

Finally it is worth noting that the importance of structures can be over emphasised. On their own they do not achieve organisational aims; rather it is how they work and align with factors such as culture, leadership and processes.

The structure proposal and our analysis

To review the Council's proposal we have looked at the two main aspects of the structure, as outlined below:

Management capacity

An important part of the rationale for developing the new structure is the need to reduce costs, whilst at the same time ensuring the Council still has the level and quality of Heads of Service necessary for it to deliver high quality services and its change programme. The approach has therefore been to reduce the number of roles whilst providing additional flexibility around salaries to support the Council's ability to recruit and retain Heads of Service. This should enable the Council to appoint permanently to a number of Heads of Service roles that are currently filled on an interim basis.

We support this approach; a smaller number of higher performing Heads of Service is likely to better serve the Council, whilst enabling it to reduce cost, both direct employment costs and interim costs. There is no doubt that the proposed structure is relatively ‘lean’, especially when compared with some other Councils in Wales – a number still have ten plus roles at Head of Service level and three roles at Strategic Director level. However, the trend in English local authorities and increasingly in Wales (Bridgend for example has nine Heads of Service, though it does still have three Directors), given the rapidly tightening financial situation, is to reduce numbers of senior roles whilst increasing the level of collaboration with other local authorities and the outsourcing of services. In Newport’s case the practicality of reducing to eight Heads of Service is supported by the alternative methods of service delivery, that are either already in place or in the process of being implemented, for a number of functions such as educational improvement, leisure, property services, housing provision and to some extent regeneration. These will reduce the level of operational management capacity required and as a consequence should enable Heads of Service to manage a broader portfolio. It should be noted that different skills sets and leadership behaviours will be required to perform the resulting more commissioning and partnership management orientated roles.

We would however have the following provisos:

- The roles have to remain ‘doable’ i.e. not have such a broad and/or diverse span of control as to make the role extremely difficult/impossible to perform effectively. **Our view is that the functions that would be managed by Heads of Service under the proposals represent coherent and manageable groupings;** though we have some detailed comments on the exact alignment of the functions’ (see next section). Additionally whilst some of the roles are bigger operationally than others, in terms of factors such as staff managed, these differences are not excessive and are to a large extent inevitable given the variety of functions managed.
- The roles have to be well supported by the next level of management down i.e. Service Managers. **There appear to be a sufficient number of Service Managers in place (though we have not reviewed these roles in detail), but our challenge would be whether the roles are operating at the right level** (in relation to resolving issues, autonomy to manage services etc). If they are not and as a result Heads of Service are being involved in too much detailed operational management it would make the structure less effective. As a result it would be worthwhile for the Council to spend time carefully defining the relative roles of Heads of Service and Service Manager and working through how their respective accountabilities will work in practice.

In relation to the specific roles that the Council is proposing to remove - the Heads of Service for Continuing Learning and Leisure and Customer and Information, we would make the following comments:

- The learning and leisure role is relatively narrow and in other Councils, especially where the services are outsourced, these functions are often combined into a broader portfolio of services at Head of Service level.
- There is more a mixed picture regarding customer and information role, with some Councils creating a dedicated head of service role focussed on transforming the customer experience and whereas others combine the customer function with functions such as ICT and organisational change. However, in the case of a Council of the scale of Newport we do not have reservations about combining these functions with others under a single Head of Service.

Alignment of functions

The proposed reduction from ten to eight Heads of Service will be achieved by the removing the current roles of:

- Head of Continuing Learning and Leisure and;
- Head of Customer and Information

In addition a number of other roles are being significantly changed. These are outlined below together with our analysis and assessment:

Head of Law and Standards changes to be Head of Legal and Regulatory and covers Legal, Superintendent and Registrar, Democratic Services, Electoral Registration, Registration Services and Public Protection. Additionally the role reports to the Strategic Director – Place instead of the Chief Executive.

Analysis and assessment: Our view is that this is a logical clustering. We agree with the rationale that there are benefits from combining legal and regulatory services due to their similar nature. We do not consider it to be an issue that the Statutory Monitoring Officer role would no longer report directly to the Chief Executive as long as s/he continues to have ready access to the top team this should not be an issue in performing the role. Additionally, although the Chief Executive is the returning officer, the extra layer of management between his role and Electoral Services should not stop him performing this role effectively.

Head of People and Transformation changes to be Head of Business Improvement and covers HR (including social care training), Business Improvement and Performance, Communications, Information Governance and Risk, IT Infrastructure and Policy and Partnerships.

Analysis and assessment: There is a trend across local government to centralise support and enabling functions in order to achieve greater efficiency and more focussed support for change. This role is in line with this trend and in our view represents a logical combination of functions, with for example IT Infrastructure fitting well with Business Improvement as an enabler of change. Customer services could also potentially fit with this role, as it is an important part of the change agenda; though this does run this risk of making this role too broad (see comments under Head of City Services).

During the review the performance of the Communications function was raised. In our view this is not primarily an issue of structure rather a reflection of how the function operates. As a consequence there should be a separate review of this function (which we understand is already in process) starting with the identification of the exact service that needs to be provided and then looking at the best way of achieving this. At this point of where the role best fits structurally can be addressed.

‘People’ or ‘HR’ could easily be left in the title if this is felt to be a substantive issue (see Cabinet member comments).

Head of Streetscene changes to be Head of City Services and covers Environmental Services, Area Services and Customer Services.

Analysis and assessment: This is essentially the Streetscene role with Customer Services added. The rationale for the change is that the Streetscene functions have a lot of direct dealings with the public and as a result combining them with Customer Services is a natural alignment. Our experience is that other Councils benefit from closely aligning Customer Services with Business Improvement functions as it supports an integrated approach to change and enables customer feedback to be fed into the improvement process and disseminated across other Council functions.

Newport may still be able to achieve this benefit via collaboration between the functions as opposed closer integration under one Head of Service. However, our view is that placing Customer Services under Business Improvement is something the Council should consider. As stated above if the Council does adopt this approach the Business Improvement role would have a very broad functional spread (though it remains relatively small operationally) so it would need to consider whether other functions would need to move elsewhere, for example Communications and Information Governance and Risk.

Conversely, the City Services role could be enhanced to cover wider city services, such as those in Sports and Leisure and Arts and Culture. The Council would then have a role focussed on delivering and joining up services across the City and a Head of Service more focussed on planning and promoting economic regeneration.

Head of Regeneration and Regulatory Services changes to be Head of Regeneration and Development and covers Property Services, Planning and Development (which includes Housing Needs), Sport and Leisure and Arts and Culture.

Analysis and assessment: The combination of regeneration with planning and development is in our view a good one as they are closely linked and if aligned effectively one can enable the other. See comments under City Services and Business Improvement, regarding the Sport and Leisure and Arts and Culture functions.

Head of Finance changes so that it includes Accountancy, Commissioning and Contracts, Revenue and Debt recovery, Internal Audit and the Integrated Transport Unit.

Analysis and assessment: Our view is that the combination of functions is a good one. The one area which initially queried is Integrated Transport, but as this unit appears primarily focussed on contract management as opposed to strategy it aligns well with the other functions within Finance.

Head of Children Services changes to include Youth and Community.

Analysis and assessment: This function fits well with the range of services already managed as they are closely related. Range of functions managed is broad but manageable.

Head of Education changes to include Flying Start and Active Communities.

Analysis and assessment: These activities fit well with those already managed. Significant increase in operational scale, but manageable given the previously relatively small numbers managed.

Summary

We support the changes to how the Council's functions are organised and in our judgement the new structure will provide the Council with sufficient management capacity, provided the service manager roles are operating at the right level.

However, the Council could also consider whether:

- Customer services would be better placed with Business Improvement (and if this change is made whether other functions are moved from Business Improvement to avoid the role becoming too broad)
- Sports and Leisure and Arts and Culture would be better placed with City Services

To be clear these are not recommendations, but options that in our opinion the Council could benefit from exploring. Whether they are the best fit for Newport will depend on the exact details of how the functions and management arrangements will operate going forward. As stated in the introduction structure is only one of many factors that enable organisations to operate effectively.

Salary arrangements for Heads of Service

Salary Benchmarking

The table below shows the pay levels for roles at the same job sizes as those of the Council's Head of Service grades, in a selection of external markets. The data has been extracted from our PayNet database of over 700 UK organisations. All of the roles in the sample have been evaluated in accordance with our methodologies in order that comparisons are robust. The 3 external markets used are as follows:

- **The Industrial and Service Sector** – All organisations in our database excluding those from the Financial Services industry. This is a common benchmark for local authorities as it provides a useful general market benchmark.
- **The Public and Not for Profit Sector** – This data cut is based on our sample of public and not for profit organisations only. The sample includes organisations from all sub-sectors. For instance, local government, central government, housing, education and charities.
- **Local Government** – This is our sample of local authorities across the UK.

All data provided is for organisations based across the UK excluding those in London.

The following tables show the range of salaries for each market cut. The first set of tables show the base salary values and the second show base salary rates with short term bonus payments included ('total cash'). The ranges of salaries are defined as follows:

- **Upper Quartile** – Divides the top 25 percent from the remaining 75 percent of data.
- **Median** - Divides the upper 50 percent from the lower 50 percent of data.
- **Lower Quartile** - Divides the lowest 25 percent from the remaining 75 percent of data.

	Hay Points	Newport Grade	Grade Min	Grade Max	Base Salary Market Range		
					Upper Quartile	Median	Lower Quartile
Industrial and Service Sector	400	HDSO3	61,505	66,232	94,584	80,000	70,084
	460	HDSO2	70,966	76,418	112,326	95,177	82,660
	528	HDSO1	79,058	87,382	134,915	114,465	97,380

	Hay Points	Newport Grade	Grade Min	Grade Max	Base Salary Market Range		
					Upper Quartile	Median	Lower Quartile
Public / Not for Profit Sector	400	HDSO3	61,505	66,232	78,312	70,174	64,321
	460	HDSO2	70,966	76,418	95,278	83,232	74,027
	528	HDSO1	79,058	87,382	108,029	95,916	88,578

	Hay Points	Newport Grade	Grade Min	Grade Max	Base Salary Market Range		
					Upper Quartile	Median	Lower Quartile
Local Government Sector	400	HDSO3	61,505	66,232	72455	67209	62649
	460	HDSO2	70,966	76,418	89954	81567	74955
	528	HDSO1	79,058	87,382	102914	94931	88578

	Hay Points	Newport Grade	Grade Min	Grade Max	Total Cash Market Range		
					Upper Quartile	Median	Lower Quartile
Industrial and Service Sector	400	HDSO3	61,505	66,232	110,210	90,749	74,682
	460	HDSO2	70,966	76,418	136,707	109,273	89,970
	528	HDSO1	79,058	87,382	173,168	136,623	106,384

	Hay Points	Newport Grade	Grade Min	Grade Max	Total Cash Market Range		
					Upper Quartile	Median	Lower Quartile
Public / Not for Profit Sector	400	HDSO3	61,505	66,232	79,159	70,222	64,617
	460	HDSO2	70,966	76,418	98,633	83,647	74,027
	528	HDSO1	79,058	87,382	110,000	95,916	88,578

	Hay Points	Newport Grade	Grade Min	Grade Max	Total Cash Market Range		
					Upper Quartile	Median	Lower Quartile
Local Government Sector	400	HDSO3	61,505	66,232	72,459	67,209	62,649
	460	HDSO2	70,966	76,418	89,954	81,567	74,955
	528	HDSO1	79,058	87,382	102,914	94,931	88,578

The tables show that Newport City Council's current salaries are most closely matched to the lower quartile of the Public Sector and Local Government markets. Newport City Council salary ranges are further away from the Industrial and Service (general market) sample which is typical of many public sector organisations benchmarking at these levels.

Where organisations choose to benchmark their salaries is a policy decision based on recruitment data, affordability and other general market conditions. The choice of external market is also a key consideration. As the data shows, salaries for roles of this size in the Industrial and Service sector cut are more than £10,000 higher than the public and not for profit sector. In addition, performance related pay is also more prevalent in the general market meaning that total annual earnings may actually be more than £40,000 higher than similar sized roles in the public and not for profit sectors.

Pay Trends Commentary

We have seen an overall market increase of 3.1% across all types of jobs in all sectors of the economy. This figure is broadly consistent with other commentators who are reporting increases of anywhere between around 2 and 3.5 percent. The Office of National Statistics have published salary movements of just 0.9% although it should be noted that there are differences in how these movements are calculated (they take average pay bill increases as oppose to average increases for individuals (pay progression) or pay awards set).

Pay continues to lag behind the cost of living for many although many believe that this situation may change in 2014 and beyond as the economic climate improves and organisations find pay increases more affordable. It is also important to stress the differences in practice amongst different parts of the economy. The Oil and Gas industry continues to forecast increases of around 4% whilst employees in the public sector are expected to be awarded in the region of just 1%.

The vast majority of public and not for profit sector organisations are still balancing the need for a pay system which is flexible and motivating, with one that is affordable and transparent. Many organisations are still having their pay policies and practices scrutinised and many are subject to pay freezes or very low increases. There has also been a lot of public scrutiny of senior salaries in the

public sector in Wales and England as well which is further adding to the downward pressures on pay.

Newport's Pay and Grading Structure

Hay Group originally worked with the Council in 2005, to evaluate its senior management roles and introduce a new pay structure. At this time the Council decided its policy would be to pay at around the median of the Public Sector market. As stated above the Council's current salaries for Heads of Service are now at the lower quartile of this market.

In relation to the structure itself the lower level, HDS03, was intended for more focussed and functionally narrow roles. Given the changes that have occurred in the Heads of Service structure – the reduction in roles and broadening of functions managed – **our view is that it would be appropriate for all roles (with the exception of the Head of Education which is already at HDS01) to be evaluated and graded at the HDS02 level.** To add rigor the roles do need to be formally reevaluated, but this would be a relatively light touch and quick process.

Proposals for Change

As a result of the above points related to market rates and the grading of roles **we would support the Council's proposal for all Head of Service roles to be paid a minimum of the bottom point of HDS02 (£70,966), with potential progression to the top of HDS01 – £87,382.** Essentially this results from re-grading some of the roles to reflect their broader accountabilities and is in line with the Council's current policy of paying at around the median of public and not-for-profit sector practice.

We would also support the Council's proposal to make progression subject to performance, though given the salary range's still low position against the market it may wish to consider consolidating progression up to the current top of HDS02, and use non-consolidated progression above this level. A formal system for linking progression to the Council's performance system will also need to be developed, that links the level of performance rating to the amount of progression. So for example, a fully acceptable rating might warrant one salary point, whereas an excellent rating could warrant two points. In our view the proposal to make a clear link between performance and pay, all be it in a limited way, will support the communication and achievement of the Council's objectives. A small number of other Councils have introduced similar systems, including in Wales and many are considering their introduction at senior levels in particular. Whether they operate effectively is largely dependent on the quality of the performance management process.

The Council may also wish to adjust the salary paid within this range to reflect any particular market issues, though again a rigorous and evidence based approach will need to be put in place.

If the Council does put in place the above arrangements it will need to consider how they fit with the pay policy adopted for its total reward project and develop an approach to the communication and governance issues involved. In our view though the proposed changes are within the Council's current grade structure and pay policy and reflect the increased levels of the roles.

Jon Gay | Hay Group
March 2014

Appendix

Summary of Cabinet Member Feedback

Views of two or more Members

- Member/Officer relations have improved greatly since the new administration came into power and are now generally very productive.
- The changes make logical sense and that the new clustering is generally good/makes sense.
- A perception that the current proposals are a quick fix and being driven by the need to fund salary increases as opposed to a full review of the structure aimed at doing what's best for Newport.
- Concerns that the reduction in the number of Heads of Service will leave the Council with insufficient management resource, particularly in relation to delivering its change programme.
- Customer Services not best placed with City Services.
- A perception that there has been insufficient debate on the proposals.
- Something needs to be done to improve salaries for Heads of Service to improve the Council's ability to recruit and retain the required quality of managers.
- The Council is currently paying below the market rate for Heads of Service.
- Despite the above it is difficult to increase salaries given the cuts that are being made and the general climate around senior pay in local government.
- Legal and regulatory services would be better reporting to the Chief Executive as it includes the MO and electoral services functions.
- Concern over the functioning and location of the PR function.

Views of individual Members

- Combining legal and regulatory services is a good proposal.
- Not convinced that Customer Services should be placed under City Services due to the need for expertise in housing and council tax benefits to run this area effectively.
- The Council already has insufficient management capacity.
- Housing Needs should be placed under Adult Services due to the close links between the services.
- Concern that the Chief Executive's direct reports have reduced from four to two – seems unbalanced.
- Housing Benefit and Council Tax should be placed under Finance, due to the expertise needed to run this area.
- A separate Head of Service is needed to run Arts, Leisure and Sports.
- Head of Regeneration role is too broad.

- Head of Business Improvement job title should be changed to include HR.
- There is an imbalance between Head of Service portfolios in relation to the number of staff managed.

Cabinet

Part 1

7 July 2014

Item No.

Subject **Heads of Service restructure**

Purpose To seek Cabinet approval to commence formal consultation with Heads of Service and Trade Unions and then look to implement the revised senior structure. Cabinet is also asked to approve the recommended way forward on Chief Officer pay.

Author Will Godfrey, Chief Executive

Ward General

Summary The council has an ambitious and challenging programme of change outlined in the Prospectus for Change – Improving People’s Lives Providing the Best Affordable Services and it is essential that we have the right strategic capacity within the Head of Service structure to deliver improving services and the change agenda.

Proposal Subject to consultation, to adopt the structure outlined in this report and to consider the recommendations on Chief Officers pay as part of the Total Reward implementation.

Action by Chief Executive
Timetable Immediate

This report was prepared after consultation with:

- Cabinet
- Chief Executive
- Strategic Directors

Background

The current Head of Service structure was approved by Cabinet in October 2012, and was prepared by the previous Managing Director. Since this point, there have been a number of Heads of Service (Head of Regeneration and Regulation, Streetscene, Finance, Continuing, Learning and Leisure) who have left the council. This leaves the council's progress significantly hampered in strategic capacity terms and this has been the subject of critical comment by external auditors and regulators. Thus far we have filled a number of the posts on an interim basis and we now need to make arrangements for permanent recruitment. Under the Prospectus for Change report, a cross cutting programme on Right People, Right Skills, Right Place is set to examine spans of control and decision making accountability, thereby bringing the opportunity to assess management structures in any respect. Clearly the turn-over in these key roles has allowed us an early opportunity to review our Head of Service structure.

The council has had a historic relationship with Hay Consultants and they have been engaged at various points to assist the council in designing its Chief Officer pay arrangements and structure, for instance they worked with the Managing Director and Cabinet to design the structure which was approved in 2012. At the end of 2013, the Chief Executive and Strategic Directors designed a number of structure options and these were tested in terms of organisation fit. Following a procurement process, Hay were again engaged and asked to comment on the structures and undertake pay benchmarking for generic Heads of Service posts. NB The current pay structure is over 10 years old and there are known issues with pay rates giving rise to difficulties with recruitment and retention.

At present out of the 10 Heads of Service posts, 6 are filled on a permanent basis - Chief Education Officer, Head of Law and Standards, Customer and Information Services, People and Transformation, Adults and Children Services - albeit with the latter being a long term secondment from Barnados. The other 4 areas eg Head of Finance, Regeneration and Regulatory, Continuing Learning & Leisure and Streetscene are all covered by interim arrangements. The drafted structure prepared by the Chief Executive provided options to move to 8 or 9 Heads of Service.

Following conversations between the Leader and his Cabinet, an alternative structure was proposed - Appendix 1. This structure adopts 9 Heads of Service. Clearly any implementation can only follow formal consultation with those Heads of Service affected by the subsequent changes e.g. reporting lines, changes to job titles and the areas they cover. The structure appended to this report is not definitive and requires some further work to reflect the complete range of City Council services. Cabinet Members have been asked to discuss points of detail with their respective service heads in order that any additional comments or suggestions can be considered prior to implementation. At the Employee Partnership Forum, the Trade Unions were also informed they would also be included in the consultation. Any substantive issues raised during consultation may need to be reconsidered by Cabinet.

On implementation of the senior structure, there will need to be corresponding consultation with those teams who are moving to different Heads of Service. Thereafter, alignment of teams and any physical movement of staff can be considered.

The current Head of Service Structure has 10 posts split across 3 historic pay bands. The pay bands were designed by Hay and took account of the organisation at that point. This resulted in 3 different pay bands with posts allocated on the following basis:

Head of Service 1	HDS01	009	79,058	1 HoS
		010	81,832	
		011	84,607	
		012	87,382	
Head of Service 2	HDS02	005	70,966	4 HoS
		006	72,743	
		007	74,557	

		008	76,418	
Head of Service 3	HDS03	001	61,505	5 HoS
		002	63,039	
		003	64,616	
		004	66,232	

Every organisation needs to review their pay structures to ensure they are still an appropriate fit, the differentials are justifiable and the pay bands are set appropriately to recruit, motivate and retain the right calibre of individual. We know from our experiences over the past few years and what appears in the Trade press or job adverts that the council is no longer competitive or attractive in a range of areas. It was always known that we would need to review the pay of Chief Officers as part of the Total Reward project and as with most councils, we would probably engage an independent organisation external to the council to undertake a pay benchmarking exercise. The report from Hay consultants, can be found in Appendix 2

The Hay report acknowledges that the Head of Service 3 pay band is not appropriate for Chief Officer posts and should be removed. It is recommended that the formal implementation of any pay changes will be introduced alongside the rest of the Total Reward project. However, for those posts currently covered by interims, where we need to move to external advertising, we will need to highlight that a 'pay review' is pending in order to attract the right calibre of individual.

Financial Summary:

The cost of the current 10 Head of Service structure is £715,569 excluding on costs. The removal of 1 post to move to a 9 Head of Service structure results in an annual saving of circa £65k excluding on costs. An eventual removal of Head of Service pay band 3 and moving the 4 posts from this band to the minimum of Head of Service pay band 2 will result in a Head of Service structure cost of £671,466, at the maximum of this grade the cost for the structure will be £698,726 excluding on costs.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Inability to deliver services and change programme	H	H	Proposing to stabilise the Head of Service team	Cabinet/ Chief Executive

Links to Council Policies and Priorities

- Pay Policy
- Options Considered/Available

Comments of Chief Financial Officer

These comments are being given by the Assistant Head of Finance (Accountancy) in view of the fact that the Chief Financial Officer is a Head of Service and accordingly has a personal interest in the matter under consideration.

The costs outlined within this report can be accommodated within existing budgets

Comments of Monitoring Officer

These comments are being given by the Deputy Monitoring Officer in view of the fact that the Monitoring Officer is a Head of Service and accordingly has a personal interest in the matter under consideration.

There are no direct legal implications as the proposed Structure retains the statutory posts which the Council is obliged to have and in any event the purpose of the Report is to agree the structure subject to consultation. It is noted that the Structure is not definitive and needs further detail. The consultation process will need to reflect this and will need to ensure that the consultees have sufficient detailed information to inform the consultation response. As mentioned in the Report, any substantial issues raised will need to be considered by Cabinet. It is important for the decision makers to have all the necessary information to enable them to make an informed decision. In relation to operational matters Cabinet has a wide discretion in relation to agreeing the structure subject to ensuring that the proposed structure complies with the statutory responsibilities in terms of its statutory officers. It is understood that no changes are proposed which affect these responsibilities.

Staffing Implications:- Comments of Head of Human Resources and Policy

These comments are given by the Human Resources Manager on the basis that the Head of People and Transformation has a personal interest in the matter under consideration.

The report seeks approval for formal consultation to commence with Heads of Service and Trade Unions on a senior management structure. There are no redundancy implications associated with this report at this stage, however, full and meaningful consultation will be required with all Heads of Service prior to implementation. There are pay implications and the report recommends these are addressed as part of the Total Reward implementation.

The movement of functions will impact on a number of employees; therefore, an implementation plan will need to be produced clearly setting out the next stages. In addition, there are a number of functions missing from the attached structure chart; this will need to be addressed as part of the consultation process.

Local issues

No local issues.

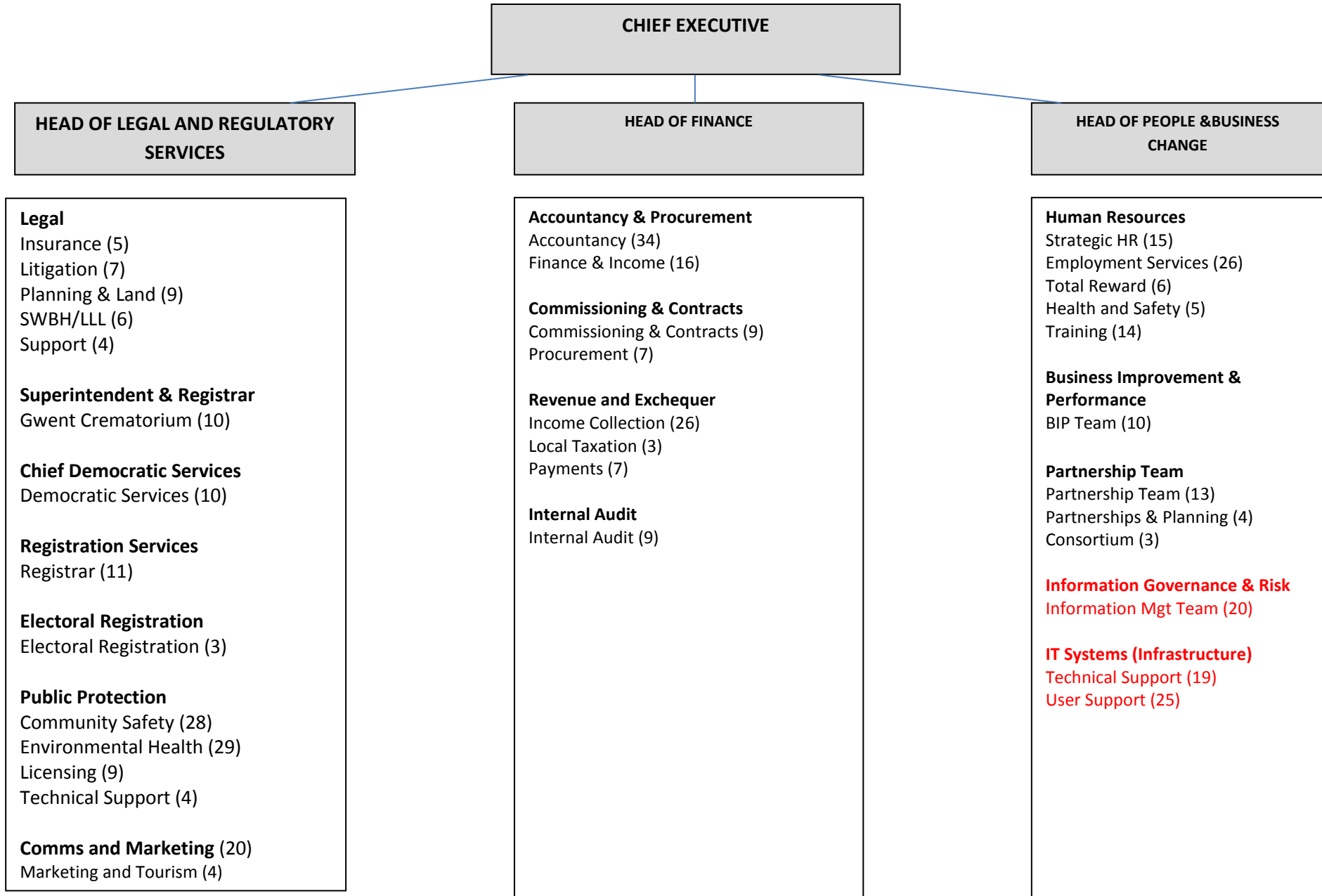
Consultation

This report is for consultation following the Cabinet meeting.

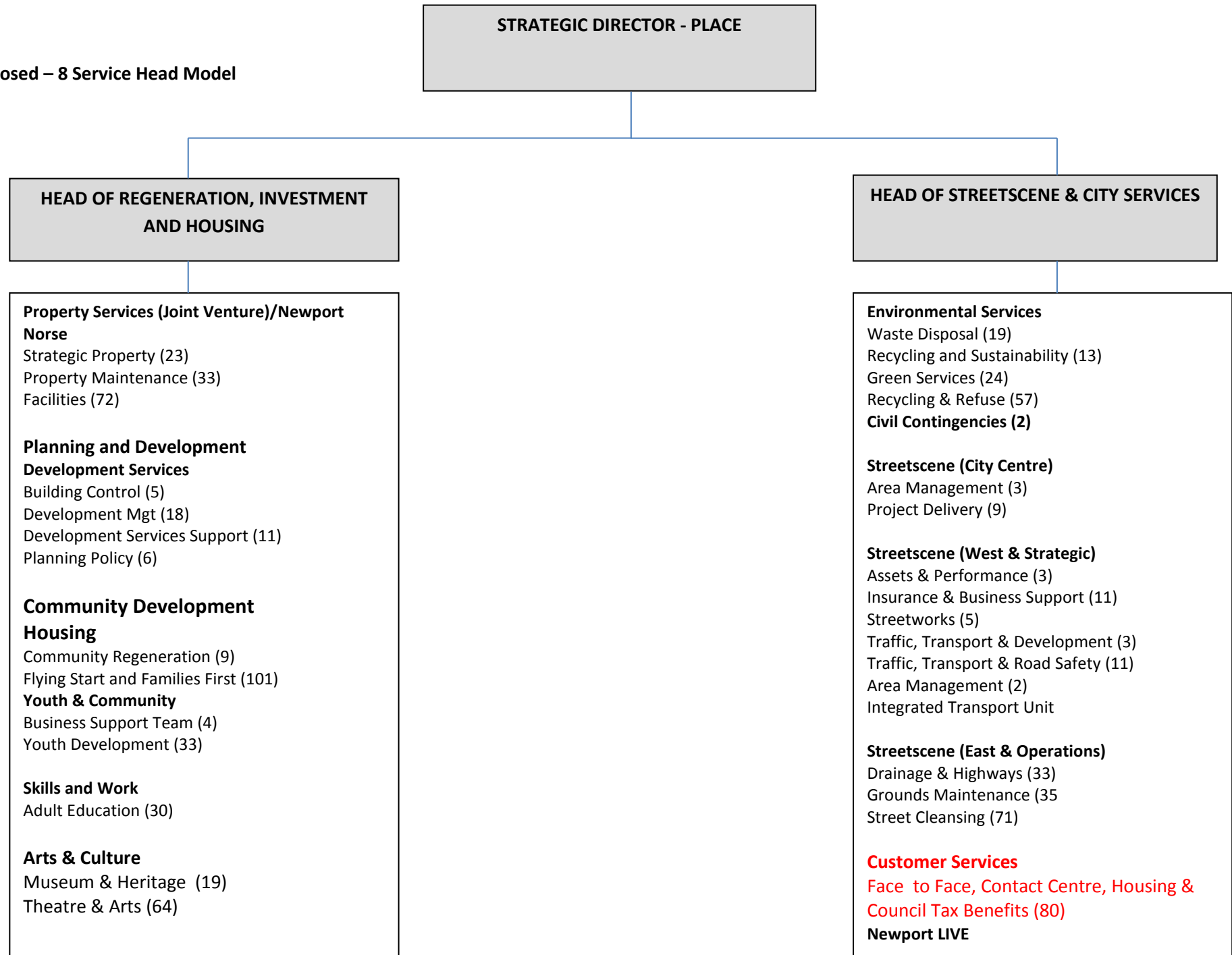
Background Papers

See appendices attached.

Proposed Structure with 8 Heads of Service



Proposed – 8 Service Head Model



STRATEGIC DIRECTOR - PEOPLE

Proposed with 8 Head of Service Model

HEAD OF CHILDREN SERVICES

- Child Protection & Quality Assurance**
Child Protection & Quality Assurance (20)
- Youth Offending Service**
Youth Offending Service (19)
- IFSS**
Substance Misuse (2)
Integrated Family Support Team (10)
Family Support (44)
Crisis Support (4)
- Operations**
DAT (15)
Child Protection (28)
Mentoring, Assessment & Planning (3)
- Resources**
Residential (60)
Adoption (5)
Fostering (16)
Placement Matching & Support (6)
- Childrens**
Disabled Childrens Team (17)
LAC 1, 2, 3 (24)
16+ (13)

HEAD OF ADULTS SERVICES

- Mental Health**
Adults (5)
Older People (9)
Assertive Outreach (5)
- Learning Disability**
Adult Learning Disability (10)
- End to End**
Adult Assessment (12)
Review Team (13)
POVA (6)
Hospital Frailty Team (13)
CRT (30)
- Provider Services**
Residential (213)
Homecare (89)
Supported Living (21)
Family Aide (12)
Supporting People (7)

HEAD OF EDUCATION

- Planning**
Organisation & Assessment (8)
Business Support (12)
Early Years (4)
Education Information Support (1)
- Education, Inclusion & Improvement**
Cylchdro Centre (17)
Ed Psychology (5)
GEMSS (58)
Pupil Services (14)
Advisory Services (1)
Music Support (25)