



JOINT COMMITTEE
15 January 2014

Subject Heading:

Shared Service Senior Management Structure

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Financial summary:

It is estimated that the proposed structure will cost £997,000 as compared with existing costs of £1,452,000. This would give rise to a net saving of approximately £455,000 in a full year (£432,000 after deducting pension back funding costs of £23,000). The net savings being equivalent to 30% which is line with the assumptions made in the business case.

Is this a Key Decision?

No

SUMMARY

- 1.1 The purpose of this report is to recommend to the Joint Committee the establishment of the shared senior management structure to manage the new shared back office support service between the London Boroughs of Havering and Newham. This includes the Managing Director role, and direct reports to that post.
- 1.2 The Business Case for the shared service agreed by both Councils created the role of Managing Director. This role is an amalgamation of elements of the current roles of the Group Director Resources at Havering and Executive Director Resources and Commercial Development at Newham. With the current transformation pressures on both councils neither council can afford to lose their existing Resources Director roles in the short term. It was therefore agreed that initially the Managing Director role will be covered on a shared basis by both the current Directors with both remaining as employees of their current Council. The role and job description (attached as appendix 1) has been agreed by the Chief Executives of both Newham and Havering. There is no additional cost associated with this arrangement, which will be reviewed at the appropriate time as the shared service matures.
- 1.3 In order to lead the functions within the scope of the shared service it is proposed to create a joint senior management structure. This includes the statutory functions of Section 151 officer and Monitoring Officer on behalf of each authority. The structure ensures there is a clear lead on each statutory function for each authority.
- 1.4 The functions in scope of the shared service are:
 - Finance
 - Human Resources and Organisational Development
 - Legal and Governance Services
 - Asset Management Services
 - ICT Services
 - Transactional and Exchequer Services

- 1.5 In addition, it is proposed to create an additional function of Business Services, to support the business of the shared service, including service improvement, planning and performance management, and business development.
- 1.6 The recommended senior structure is at appendix 2. The structure is a joint management arrangement, with postholders being responsible for managing the service in both authorities. This structure therefore delivers savings through the deletion of duplicate posts in one borough or the other. The savings are £455,000 in a full year and will be shared on the basis of the agreed funding formula.
- 1.7 All posts in this structure proposal are being evaluated under the Hay job evaluation scheme by the Newham HR team and moderated by the Havering HR team.

RECOMMENDATIONS

The Joint Committee is asked to agree the following:

1. That the appointment to the post of Managing Director is confirmed on the basis of being shared between the existing Group Director of Resources (Havering) and the existing Executive Director for Resources and Commercial Development (Newham). This arrangement would be reviewed by the Joint Committee after the joint service has settled down.
2. That the senior management structure is agreed as set out in Appendix 2, and that the process to consult with affected post holders in order to appoint to the posts in accordance with the Change Management procedures commences.

REPORT DETAIL

2. Background

- 2.1 In December 2013 both Councils approved the proposal to share their back office support services.
- 2.3 Havering and Newham have worked quickly to develop the shared service in order to maximise the savings it can achieve. It is formally set up through a Joint Committee of the two Councils. Full redesign and transformation of services will be completed by 2018/19. The two Councils are ambitious to market the shared service to other councils and public and third sector organisations, creating a preferred model for support services and generating additional income.

2.4 The shared service includes 21 separate services across the two Councils employing some 1360 people. The services in the new shared service include:

London Borough of Havering	London Borough of Newham
Resources Directorate	Resources and Commercial Development Directorate
<p>Legal and Democratic Services</p> <ul style="list-style-type: none"> • Monitoring Officer role • Legal Services • Democratic Services • Electoral Services • Leader's and Mayor's Offices 	<p>Legal</p> <ul style="list-style-type: none"> • Monitoring Officer role • Legal Services • Democratic Services, Committees and Partnerships • Scrutiny • Electoral Services
<p>Internal Shared Services</p> <ul style="list-style-type: none"> • Operational Finance and Human Resource • Operational Procurement • Human Resources, Payroll Pensions and Finance Administration • Customer Relationship and Improvement 	<p>Human Resources</p> <ul style="list-style-type: none"> • Shared Service Centre • Strategic Human Resources • Employee Services • People, Projects and Participation • Talent • Leadership and Organisational Development • Health and Safety
<p>Strategic Human Resources and Occupational Development</p> <ul style="list-style-type: none"> • Human Resources Business Partners • Corporate Human Resources and Change Strategy • Organisational Development 	<p>Finance</p> <ul style="list-style-type: none"> • Section 151 role • Strategic Finance • Financial Control • Revenue and Exchequer Services • Finance Business Partnering • Internal Audit, Counter Fraud, Risk and Insurance • Procurement • Council Tax and Benefits
<p>Finance and Procurement</p> <ul style="list-style-type: none"> • Section 151 role • Corporate Finance • Strategic Finance Business Partners • Internal Audit, Risk, Insurance and Fraud • Strategic Procurement Business Partner 	<p>Property and Commercial Development</p> <ul style="list-style-type: none"> • Programme Management Office and Business Improvement • Facilities Management • Strategic Property • Capital Strategy and School Organisation • Management of Schools Capital
<p>Exchequer Services</p> <ul style="list-style-type: none"> • Benefits • Council Tax and Business Rates • Corporate Debt Recovery 	<p>Business Systems</p> <ul style="list-style-type: none"> • Information Governance and Corporate Systems • Support Centre • Print Services • Unified Communications • Architectural Management • Contract and Supplier Management • Portfolio Management and Business Analysis
<p>Asset Management</p> <ul style="list-style-type: none"> • Corporate and School Premises Management • Transport and Fleet Services • Technical Services (Design and Maintenance) • Health and Safety 	
<p>Business Systems</p> <ul style="list-style-type: none"> • ICT Strategy and Operations • Support Centre • Information Governance • Print Unit 	

The two Councils estimate that the shared service will achieve £4.1million in savings in its first full year (2014/15) rising to £10.6million by 2018/19. Based on these estimates this would make a total saving of around £40million over the next five years. The two Councils should receive a payback on their investment costs in less than a year.

3. Proposed Shared Service Senior Management Structure

3.1 This report recommends to the Joint Committee the establishment of the shared senior management structure to manage the new shared back office support service between the London Boroughs of Havering and Newham. It sets out the proposal for the top management tier of the new joint management structure in respect of the functions that are within the remit of the shared service, including the statutory functions. These functions are:

- Finance Services
- Human Resources and Organisational Development Services
- Legal and Governance Services
- Asset Management Services
- ICT Services
- Transactional & Exchequer Services

3.2 In addition a further function of **Business Services** is proposed. The function will lead on service planning and reviews, service level agreements, performance development, business development, commercialisation and marketing.

3.3 Following the establishment of the senior structure and appointment to those posts, the postholders will lead a further review within their functional area to firstly identify and progress opportunity for early rationalisation of management posts, followed by a more detailed full service review of their function in accordance with the timetable for service reviews outlined in the Business Case for the shared service that has been agreed by both Councils.

3.4 The Joint Committee are asked to approve the appointment to the role of the Managing Director and to agree the Senior Management structure for the new shared service.

The attached appendix 2 shows the proposed structure for the new shared service.

3.5 The appointment to the Managing Director role and restructure of the senior management structure is the first necessary step in creating the new shared service. Rationalising the senior management structure removes roles duplicated across the two Councils to create a shared management team.

4. Rationale for the structure

4.1 There are a number of principles that have been adopted for the target operating model. Firstly, that where possible customer transaction will be self service using

the One Oracle IT platform. This will be particularly evident for transactions relating to Human Resources, Payroll and Finance. Secondly that, where possible, the new service will be designed around process and outcomes, split by strategic, operational and transactional functions. This will allow for efficiencies of scale to be achieved for the highly repeatable volume based transactions, whilst retaining and building our professional services who provide operational and strategic support to our customers. It is expected that the full target operating model will take up to three years to fully implement across all the services in scope, although will be fast tracked where possible to deliver savings whilst ensuring that there is minimal impact on business as usual service delivery.

4.2 The operating model and service groupings have been agreed by both Councils as part of the business case.

4.3 Operational Finance and Human Resources are included with the strategic functions to ensure that there is capacity to deliver strategic and operational outcomes. The Business Partner model is valued by customers in each authority and is maintained. This ensures that the professional head of function can determine priorities for the service, based on customers needs.

4.4 The proposed structure includes a Managing Director and a senior management structure of six Directors and one Assistant Director (for the Business Services function) for each of the operating model service areas.

4.5 Managing Director

It is recommended that the role of Managing Director is appointed with immediate effect. The creation of this role was agreed by both Councils in the Business Case and is essential to lead the shared service in these initial stages and manage the direction and delivery going forward. The role is an amalgamation of elements of the current roles of the Group Director Resources at Havering and Executive Director Resources and Commercial Development at Newham. Given the current broader transformation pressures on both councils neither council can afford to lose their existing Director roles at this time. It was therefore agreed that the Managing Director role will be shared by both the current Directors whilst they both retain their specific responsibilities that fall outside of the Shared Service. Each will remain an employee of their existing Council. The Managing Director job description is attached as Appendix 1 and has been agreed by both Chief Executives. This arrangement will be reviewed at the appropriate time as the shared service matures and the two Councils get to grip with their wider challenges.

4.6 Senior Management

It is proposed that the senior management team is created as follows:

Director of Human Resources/Organisational Development Services – this post will be responsible for leading and managing a joint service. This includes the strategic

and operational human resources function, business partnering, policy development, casework, change implementation, learning and development, organisational development, talent management, employee engagement.

Director of Finance – this post will be responsible for leading and managing a joint service. This includes strategic and operational finance, business partnering, accountancy, treasury management, financial regulations, insurance, procurement, audit and fraud functions.

It is also recognised that there will be a requirement for a Finance Officer to the Joint Committee within the shared service; this will be undertaken by this post.

Director of Legal and Governance – this post will be responsible for leading and managing a joint service. This includes the strategic and operational lead, legal practice, democratic and committee services, electoral and scrutiny functions.

Director of Asset Management Services – this post will be responsible for leading and managing a joint service. This includes construction and technical services, property services, facilities management, education asset management service and health and safety services. In addition the post will manage transport services for Havering.

Director of ICT Services – this post will be responsible for leading and managing a joint service, including the strategic lead, operational and support services, ICT programmes and development, governance and information security.

Director of Exchequer and Transactional Services – this post will be responsible for leading and managing a joint service to deliver transactional services, including payroll, pensions, recruitment, general human resources, finance payments, invoicing and debt collection, bailiff service, NNDR and Council Tax and Benefits

Assistant Director of Business Services - this post will be responsible for business services to the shared service. This will include service transformation and continuous improvement, performance management, customer on boarding, marketing and company services.

5. Summary of current posts and proposed changes

Draft Job Descriptions for the proposed posts are attached as Appendix 3.

Current Posts LBN	No	Current Posts LBH	No	Proposed Posts for Shared Service	No
Executive Director Resources & Commercial Development	0.5	Group Director, Resources (s151)	0.5	Managing Director (shared)	1

HR Deputy Director	2	Head of Service – Human Resources	1	Director of HR & OD Services -1	1
Director - Corporate Finance (s151)	1	Head of Service - Finance	1	Director of Finance	1
Director - Legal & Governance (mon)	1	Head of Service – Legal & Democratic (mon)	1	Director of Legal & Governance	1
Director - Property	1	Head of Service – Property and Assets	1	Director of Asset Management Services	1
Director – ICT	0.5	Head of Service - ICT	0.5	Director of ICT Services	1
		Head of Service – Internal Shared Service	1	Director of Transactional Services	1
				Assistant Director of Business Services	1
Total	6		6		8

5.2 There are currently 12 posts across Newham and Havering. The proposed shared services structure reduces this to 8 posts. This does not include any post reductions from the Managing Director arrangement at this stage. Any future changes at this level would be additional.

5.3 The continuing cost for the remaining Executive Director Newham (0.5) and Group Director Havering (0.5) will be met by each authority from existing budgets.

6. Statutory Functions

6.1 The Director of Financial Services will be the statutory section 151 officer for one authority, and the Director of Legal and Governance Services will be the statutory Monitoring Officer for one authority. This will be for the employing authority of the appointed individual. A post either at the next tier up, or down will be identified to undertake the statutory Section 151 officer role and Monitoring Officer role for each authority where it is not covered by the Director level role.

6.2 There will be a written agreement between the S151 officers to set out how the statutory functions are managed in practice across the whole of the shared service.

7. Financial Costing and Funding Arrangements

It is estimated that the proposed structure will cost £997,000 as compared with existing costs of £1,452,000. This would give rise to a net saving of approximately £455,000 in a full year (£432,000 after deducting pension back funding costs of £23,000). The net savings being equivalent to 30% which is line with the assumptions made in the business case.

These costs are based on costs of existing postholders and/or indicative grades. Final gradings will be based on evaluation of the job descriptions. (pending job evaluation). Actual savings will also be dependant on the individuals appointed. At this stage, variations are not expected to be material.

The figures do not include at this stage any costs to either council from the creation of the Managing Director (MD) role or the savings to each council from any change to their existing structure at Strategic / Group Director level. The costings assume that the costs of the MD role are covered by the sharing of the role from Directors with existing budgets within both organisations. Any savings will be calculated at the time that the decision is made to appoint a single MD.

With an implementation date of 1 April, the estimated savings in year 2014/15 are estimated as £423,000 before any redundancy costs are met. The savings from this restructure will be shared between the two councils on the basis of the agreed funding formula. Any redundancy costs will be met from the two councils existing redundancy provisions again shared on the basis of the funding agreement. These figures are exclusive of any pay awards or other inflationary factors from April 2014 but inclusive of on costs.

8. Implementation

- 8.1 Subject to the Joint Committee agreeing the proposed senior management structure, formal consultation with affected employees and trades unions will commence as soon as possible. Posts at this level are within the purview of the JNC for Chief Officers. Appointments of Chief Officers and Deputy Chief Officers are ordinarily made by a member appointments committee.
- 8.2 The usual appointment process is not practical in the initial stages of setting up the shared service. This is because the Councils relevant change processes apply and there may be posts where there are candidates from both authorities. In these circumstances the process will be as follows:
 1. Where there is a competitive process into either a statutory or non statutory role each Council agrees that the Joint Committee will conduct the selection process and make a recommendation to the appropriate Appointing Committee depending on which authority employs the successful candidate.
 2. Where there is a direct slot into a statutory role and this is a **new** appointment, the appointment will be confirmed by the employing Council, in accordance with its procedural rules for such appointments, without any need for further process.
 3. Where there is a direct slot into a Chief Officer or Deputy Chief Officer post, the appointment will be confirmed by the employing Council, in accordance with its procedural rules for such appointments, without any need for further process.
- 8.3 The process will be managed in accordance with the change management procedures for each authority. It is possible that there maybe a need to jointly agree a shared services 'change management protocol' to ensure equity of access

to staff for opportunities that arise in the new structure. It is intended that the new senior management structure will be fully operational with effect from 1st April 2014.

8.4 The high level steps in the process will be:

What	When
Commence formal consultation	January 2014
Identify assimilations and ring fences	February 2014
Conduct selection processes where necessary	March 2014
Senior Managers in post	end March 2014

9. Staff and Trade Union Consultation

9.1 Both authorities have been providing regular updates to staff and trades unions. This includes dedicated intranet pages, email updates, face to face briefings and a regularly updated frequently asked questions page.

9.2 Early consultation with the Trades Unions, through a Joint Consultative Committee has commenced, and regular meetings will take place with regards to the general progress and overall structures of the shared service, with more specific consultation related to each functional service review.

9.3 Formal consultation with regards to the proposed senior management structure and the next tier down will commence shortly, subject to agreement of the senior structure from the Joint Committee.

9.4 The consultation timeframe is subject to statutory regulation. Ordinarily this would be 30 days, however because of the number of change programmes in other areas of the Councils the timeframe is 45 days. We expect that the consultation on this particular restructure can be concluded sooner than 45 days, subject to mutual agreement. Consultation on the next tier down will also commence as soon as possible and in accordance with Change management procedures, particularly in areas that are already under review, or where joint appointments are already in place.

10. 3rd Tier Management Structure

Following appointment to the senior management structure the next step will be for the management team to agree a structure for the next management tier. Some functions are likely to be initially structured as a single borough service, whilst other functions will move quickly to a joint service. This will be determined taking account of delivery of services and savings.

REASONS AND OPTIONS

11. Reasons for the decision:

- 11.1 Both London Boroughs of Newham and Havering have made the decision to set up a Shared Service for support service functions. The rationale for this and detailed programme has previously been agreed.
- 11.2 In order to create a clear, shared senior management structure to deliver savings and provide the necessary leadership and direction to deliver the business case for the shared service it is appropriate to formally agree the senior structure. This structure will enable the service to create the necessary organisational culture to deliver and attract new business.

12. Other options considered:

- 12.1 Consideration has been given to other possible senior structures, this has included whether there is a need for an additional Director role for Exchequer services. However, this was rejected on the basis that the proposed structure delivers higher savings, the work is highly transactional and that the role can be effectively combined with the Transactional function.

IMPLICATIONS AND RISKS

13. Financial implications and risks:

- 13.1 These proposals give rise to a net saving of approximately £455,000 in a full year (£432,000 after deducting pension back funding costs of £23,000). The net savings being equivalent to 30% which is line with the assumptions made in the business case.
- 13.2 These costs are based on costs of existing postholders and/or indicative grades. Final gradings will be based on evaluation of the job descriptions. (pending job evaluation). Actual savings will also be dependant on the individuals appointed. At this stage, variations are not expected to be material.
- 13.3 If the implementation of the structure is delayed, this would have an impact on the ability to achieve the savings.

14. Legal implications and risks:

- 14.1 Consultation on the proposals will need to fulfil the requirements of both Councils managing organisational change and redundancy policies, relevant associated guidance and, due to the scale of changes taking place across the Council, the statutory consultation provisions in the Trade Union and Labour Relations (Consolidation) Act 1992. It will not be possible to make final decisions on the proposals until after the statutory consultation process has ended for any particular proposal. Implementation of the proposals will need to be carried out in accordance with both Council's policies on assimilations and selection for redundancy.

15. Human Resources implications and risks:

- 15.1 The consultation and subsequent implementation will be managed in accordance with both Council's managing organisational change and redundancy policies and relevant associated guidance. This will include the consideration of voluntary redundancy or early retirement where there are more people than posts.
- 15.2 Efforts will be made to identify suitable redeployment opportunities for any staff that remain displaced following the completion of assimilation, ring-fencing and selection processes. There is a risk that some staff may not be assimilated into the new structure or may be unsuccessful in applying for roles in the new structure or for whom no ring-fence has currently been identified. If this occurs and they are not redeployed elsewhere within the shared service, or within their employing Council, this will give rise to redundancy.

16. Equalities implications and risks:

- 16.1 An initial Equality Analysis was completed and submitted with the Business Case to each authority. This set out mitigations that are in place to manage any potential equality issues. The procedures that will be applied to manage the change processes are fully compliant with best practice and equalities legislation and should provide confidence that these matters are addressed appropriately. A further equalities analysis will be completed following appointment to the senior management structure and will be considered by the shared services management team.

BACKGROUND PAPERS

Reports to Cabinet meetings dated 20.11.13 for the London Borough of Havering, and 21.11.13 for the London Borough of Newham.