Division(s):

AUDIT & GOVERNANCE COMMITTEE – 14 DECEMBER 2016

SENIOR MANAGEMENT REVIEW

Report by County Director

Background and context

1.   The Senior Management Review (SMR) commenced in October 2015 following the departure of the then Chief Executive and the appointment of a new Head of Paid Service (later re-designated as County Director). At that time, we were already considering our succession arrangements for the County Council Management Team (CCMT) taking into account the age profile and individual plans of the then top team, and the Leader's desire to break down silo working.

2.   We commissioned Penna to conduct a focused and objective review of our current structure and provide options for the future. Work undertaken included one to one meetings with each member of Extended County Council Management Team, in October/November 2015, canvassing Member opinions via an on-line survey in December 2015 and benchmarking with comparable organisations.

3.   The work by Penna identified that the Council had highly capable senior professionals and that whilst there was a strong culture of silo working nevertheless there was also a significant appetite to work in a more collaborative way.

4.   In February 2016 the four unitary council proposals by the City and District Councils required the SMR to be put on hold pending the outcome of the unitary debate and potential future shape of the council.

5.   Many of the issues identified by the initial review have been taken forward during this time, particularly around the Council's future role and the direction the organisation should take. This has been driven by our thinking about the best structures for local government in Oxfordshire and the findings of the Grant Thornton and Price Waterhouse Cooper studies. We are now developing a proposal for a single unitary council for Oxfordshire. The management structure therefore must ensure quick decision making, flexibility and cross organisational working. Much of this work can also be applied to thinking about the role of the county council within the current two tier arrangements for local government.

6.   Whilst the council's financial resources are likely to continue reducing we are building from a strong platform to be ambitious for the county. Oxfordshire is a place of many strengths, with a strong local economy and thriving local

communities. However there are areas of serious deprivation and a small but growing number of residents who need additional support.

7. We want the best for all our residents and will play an important role in enabling a truly thriving Oxfordshire. However we will not be able to deliver this vision without changing the way the council works. In particular we know that we need to focus on:

- Facilitating and empowering residents and local communities to shape their own futures
- Playing our part in driving economic growth and managing the pressures of this growth, in particular supporting the creation of jobs and homes for our future residents, while protecting the quality of life of Oxfordshire residents today
- Supporting the most vulnerable people. That means helping older and disabled people live independent lives; making sure every child gets a good start in life, and protecting everyone from abuse and neglect.

8. In order to achieve this in the context of reducing resources we will need both a strong voice back to government to make Oxfordshire's case for investment loudly and clearly; and to forge new and strong partnerships locally, working with residents and communities as well as statutory and voluntary partners to deliver the best outcomes for our residents.

9. In order to ensure that the organisation itself is fit for the future we now have a robust transformation programme underway, this will improve the customer experience and enable us to be a more efficient and flexible organisation without cutting services.

10. The proposals set out in this report will provide the council with a strong framework for changing the way we work, and ensuring that our structure supports the outcomes we want for our residents and communities in Oxfordshire. There will be a much greater emphasis on a 'One Council' approach, on partnership working and on strongly driving the transformation programme to ensure that we are fit for the future.

11. It is now the right time to deliver the findings of the SMR. Our response to the unitary challenge confirmed that our structure and ways of working were not always flexible enough to meet residents' expectations and be able to best respond to need. The SMR process has been updated by the work the council has undertaken in recent months on the transformation of services and on the future of local government in Oxfordshire, including a unitary structure or structures.

12. The conclusions of the SMR have also been informed by the need to:

- Build on the foundations that are already in place, with the numbers of senior managers reducing by 40 per cent since 2010;

- Enable the council to rapidly develop and put in place a new operating model. This will focus on how the council can most effectively support the aims of Efficient Public Services in the Corporate Plan. The new model will see the council become smaller, but more flexible and agile, as it works more smartly for and with Oxfordshire's communities.
- Ensure a stronger 'One Council' approach, driving and embedding new approaches across the organisation;
- Ensure that there is the flexibility to 'Think Unitary, Act Unitary' to meet the future needs of Oxfordshire residents;
- Achieve efficiencies and savings.

Findings of the review

13.   Penna's concluding report on this phase of the SMR can be found at Annex 1.

14.   The current senior management structure is shown at Annex 2. The proposed new senior management structure can be found at Annex 3. Although still "drawn" as a traditional structure chart, the ways of working proposed deliver increased flexibility based on need at any particular time.

15.   The key changes, and proposed approach are:
1) Since the departure of the last Chief Executive the Council has been operating with a County Director who also fulfils the role of Head of Paid Service. It is proposed that that the title 'County Director' has served its purpose and that role should be re-designated as Chief Executive in the new structure.
2) Director posts would be re-designated as Strategic Directors and reduced from 5 to 3. They would cover People, Communities and Resources. The Strategic Director for Resources post would be carried out by the Chief Executive, who will also take the lead on the transformation programme. These Strategic Director roles would focus on Council-wide, corporate responsibilities, problem solving and performance management; more than they would oversee service strategy and operational delivery.
3) It is proposed that the existing Director of Public Health (DPH) assumes on an interim basis the Strategic Director for People role, while retaining his statutory DPH role.
4) It is proposed that the existing Chief Legal Officer assumes on a permanent basis the Director of Law and Governance role, including the statutory role of Monitoring Officer.
5) It is proposed that expressions of interest for the Strategic Director for Communities role are sought from the wider ECCMT grouping.
6) The Deputy Director and Corporate Advisor posts that remain would be re-designated as Directors; unless there is a statutory element attached to the role of Director, in this case 'Head of' will be used. The statutory roles of Director for Children's Services and Director for Adult Services would sit at the Director level, reporting into the Strategic Director for People. Given the statutory nature of these roles we have already successfully appointed to these posts in advance of the departures of the existing Director of Children, Education & Families and the Director for Adult Social Care.

7) Within Resources one post would be re-designated as Assistant Chief Executive. The main emphasis of this role is to provide strategic and policy support to the Chief Executive. This role is important given the breadth of change underway to deliver our ambitions for the council, the transformation agenda and because there will not be an additional person in the Strategic Director for Resources role.

16.   Further details about which services could report to Strategic Directors are in Annex 4. These are indicative and subject to agreement with Strategic Directors.

Financial and Staff Implications

17.   Where appropriate, we will look to fill posts in the structure on an "internal first" basis and the proposals save money. This proposed structure sees anticipated savings in the region of £450,000, in addition it preserves the £300,000 already saved by the departure of the previous Chief Executive. The proposed structure also avoids incurring the additional costs of a Director of Resources, c.£182,000, as the Chief Executive will cover this role.

18.   After Strategic Directors are appointed work would start, using the principles in the Penna report at Annex 1 (para. 31) and with corporate support, to review structures and assess the third tier managers. There is an expectation that this level of management would reduce.

19.   On the 14 July 2015 Peter Clark was appointed by Full Council as Head of Paid Service. On the 13 April 2016 Peter Clark's title was designated as County Director, as a temporary arrangement pending the outcome of the Senior Management Review. In order to make the role of County Director (now retitled Chief Executive) permanent a decision of Full Council is required in principle with a further ratification after consultation with Cabinet.

RECOMMENDATIONS

20.   **The Audit & Governance Committee is RECOMMENDED to:**

   a)   **note the progress made to date on the Senior Management Review; and**
   b)   **endorse the Senior Management Review recommendations and proposed structure and / or provide comments on any governance aspects for consideration by Cabinet.**

PETER CLARK
County Director

Contact Officer: Steve Munn, Chief HR Officer
December 2016

Oxfordshire County Council
Senior Management Review 2015-16

Background

1. Penna was appointed to carry out an external review in October 2015. Work started immediately but when the unitary debate commenced there was a requirement to pause the review pending the outcome of the debate and to enable us to consider the impact of the debate on the Senior Management Review. In the spring some of our recommendations were put into action with the appointment of a Director for Transformation. With the membership of the County Council's Management Team changing now is the right time to fully implement this Review.

2. At that time we were appointed the Council faced substantial challenges to its management arrangements. These stemmed principally from growing uncertainty in its operating environment. The election of a Conservative Government in May 2015 had produced greater certainty in the political sphere nationally but the Government's stance towards local government was developed largely through the prism of city region based economic growth complemented by "devolution deals" within English local government.

3. At the same time, the Council was engaged in two sets of discussions that questioned its future management arrangements: first, were the plans with two other Counties to jointly manage/commission environment and highways work; and second, the fast paced approach to integrating the County's social care functions with local health care services. Moreover, the departure of the Council's Chief Executive in September 2015, and the known retirement plans for some members of the management team, also meant that the Council needed to address the design of its senior management.

4. This led the Leader to initiate an external review of management arrangements. We were commissioned to conduct a focused and objective review of the County's management structure and provide options for the future. Work undertaken included one to one meetings with each member of the "extended County Council Management Team", in October/November 2015. Member opinions were canvassed via an on-line survey in December 2015.

5. Finally, benchmarking with comparable organisations was completed. Two factors were crucial to the initial set up of the review. First, was the aim to engage a wide group of Members in shaping the review's scope and purpose. Second, the review was to engage and involve senior managers (at Director and Deputy Director level). The review was not to be an external "top down" imposition. The review therefore developed from a strategic conversation amongst Members and senior managers. It developed iteratively over several

months. There was no simple template used; rather design principles and managerial issues were raised and discussed with senior managers singly as well as in groups.

6. This was especially important given the maturity of the Council's senior management. For this was not an exercise in simply implanting a "structure" but in developing better accountabilities to help the Council sharpen its performance and improve public service outcomes. The Senior Management Review (SMR) commenced in late 2015 following the departure of the then Chief Executive and the appointment of a new Head of Paid Service (later re-designated as County Director). At that time, the Council were already appropriately considering possible "succession arrangements" for the County Council Management Team (CCMT) taking into account the age profile and individual plans of the then top team. Not only was this a driver for change, but provided the Council with a real opportunity to properly plan for the future by getting the right people into the right posts and create principles for working which could truly realise the desire to transform both the organisation and the county itself.

7. Honest and open discussions needed to be held in confidence about how the Council's management could adapt to the challenges it faced. Confidential conversations about career options were critical with some senior managers and it was to the credit of the Council's management that these were conducted honestly and with integrity.

2. An early discussion point in October 2015 was the position of the Council's most senior official: the post of the chief executive. In reviewing the options, experience of managerial changes introduced elsewhere were examined to see whether they offered Oxfordshire any direct lessons (particularly amongst Councils that had dispensed with the role of chief executive or amongst those who had changed the focus of the role).

3. However, the central concerns involved ensuring managerial accountability to Members while reducing the overall cost of senior management. For that purpose it was essential to examine the "role clarity" of each senior management position and not just the chief executive position. Within management, the pivotal issue is who is accountable for what; and to whom are they accountable? Role confusion between managers with overlapping responsibilities can, at best, produce waste and inefficiency; at worst it can generate organisational dysfunction.

4. In a multi-purpose local government the role of the chief executive (or head of paid service) is to ensure that the best advice is organised in a coordinated manner; that policies and plans are coherent; and that management actions are accountable - within management as well as to elected Members. Elected members invoke change; senior managers deliver it. Senior managers must, at all times, avoid "stealing public interest decisions" from politicians. Officers work in a creative partnership with Members. But it is elected Members who decide direction and determine public interest choices.

5. It became clear that the Council possessed a cadre of highly capable senior professionals and managers. This was particularly evident at the Deputy Director level and with those staff whose responsibility was to lead professional functions. These managers when assessed against sector norms perform very well indeed and there was evident scope for professional and personal growth amongst several senior managers; and the potential to lose them elsewhere if opportunities in Oxfordshire did not emerge.

6. However, it was also clear that managerial activity was too silo'd. Corporate working was principally concerned with coordination (discussions about "who should do what, when?") rather than collaborative problem solving (discussions about "how we can solve this local problem by working together"). Senior staff were keen to work more collaboratively in cross-organisational ways, but there was insufficient corporate working arrangements. A style of corporate working began in earnest as soon as the issue was identified and they have significantly developed since that date within a newly established open supportive culture set by Peter Clark.

7. Early in the review we took the view that the management arrangements needed to be adaptive and robust. It was not enough for them to be "resilient" to changes in the external environment; they needed to be open to adapt to these changes while maintaining organisational integrity. Key to this was the position of the Council's most senior official. Our discussions with senior managers revealed a palpable sense of trust and confidence in Peter Clark potentially serving as an interim head of paid service to help lead the Council's management through the next period of challenge. In our view the Council needed to use its best efforts to recruit to this position in the medium term but it was sensible to offer Peter Clark a new role to bridge between the pre-2015 Council and what it would become by the end of 2017. He had begun an open and inclusive style of working which was welcomed and supported by senior managers across the Council.

8. We also recommended that additional and ideally external support was necessary to kick start and co-ordinate a Council-wide approach to organisational transformation. We were of the view that this would be most effective if the Council appointed someone fresh with specific transformational experience to the top management team. This would produce additional challenge and grit in the management of the Council and ensure that progress towards change was achieved.

9. A Director for Transformation was appointed on a short term contract. He successfully set in train a number of key developments and created healthy challenge and disruption to the point where a range of changes, new ways of working and shared services have been introduced. The Director left once this work was completed and the Council was confident they had the internal

expertise and knowledge to move to the next phase of the transformation programme.

10. One key factor is the expectation on senior managers to "secure the successful delivery of service outcomes" while also working corporately and helping solve problems through joint action. Too often this is collapsed into a simple distinction between "strategic" managers and "operational" managers. In truth, operational managers (whether they are overseeing commissioning or delivering) in all sectors always need to be more strategic in their approach.

11. Having a strategic approach helps them shape services for tomorrow; and not just ensure that they are being delivered effectively today. Instead the challenge for local government senior managers is how best to achieve joint working on corporate problems. And increasingly this is less about "what the Council delivers"; it is more about how the Council works productively with communities and other partnerships to generate value locally. This requires a positive approach to collaborative working in an open style of management. This is less about what senior managers "control"; and more about what they can usefully influence to improve public outcomes across the County.

12. Discussions with senior managers led the external review team to conclude that the Council had the capabilities and ambition within its existing management to work more effectively as a cohesive group in support of the Council. The review team concluded that the management arrangements needed to be adapted - particularly at the Director level. We provided feedback to individual managers, together with an initial report on findings and possible way forward. This was completed in January 2016 and presented to the Extended County Council Management Team (ECCMT).

Local Government Reorganisation

13. Finalising the overall management design has proved problematic because of the "planning blight" created by the vacillating currents in both the national and local debates about local government reorganisation. This is no place to rehearse these issues but the uncertainty that has been cast over the Council's management arrangements cannot be overstated.

14. In February 2016 the four unitary councils proposed by the City and District Councils required the SMR to be put on hold pending the outcome of the unitary debate and potential future shape of the council. In the past ten months there have been competing approaches to how the County should be governed in the future and how its management should therefore be organised. The Council's response to the unitary challenge confirmed that the structure and ways of working were not "broken" but were not sufficiently flexible enough to meet residents' expectations and be able to best respond to need.

15. In support of the Council's own submission to Government on these issues, we have worked on how future management arrangements would be best established for a single unitary Oxfordshire Council. Thus while we were initially engaged to advise on the management arrangements for the Council's existing functions and activities, we also had to consider how best they could be adapted for a potential unitary County.

16. These structural governance challenges present substantial challenges to senior managers - as much as to elected Members. These managers are aiming to reshape services for the future and are increasingly doing so in collaborative partnership with other agencies and with local communities. In very many cases they need to focus on how to reduce substantially the cost of the service in the future. Doing so without knowing the structure of governance in the County is extremely difficult.

Cost Reduction: a design principle

17. The cost of a service includes the direct cost of labour, plant, materials and asset overheads (such as offices, depots, IT and so on). But it also includes the direct cost of managing the service, commissioning it and reviewing its effectiveness. In this sense management is an overhead.

18. Senior management that acts corporately is a corporate overhead (alongside the cost of governance, audit, insurance, corporate law and so on). Those who perform senior corporate management roles therefore need to be mindful of their costs. Every pound spent on senior management is a pound not spent in direct service provision. The issue is whether senior management adds sufficiently cost-effective value to the delivery of services today and the shaping of services for tomorrow. Lean approaches to corporate management underpinned our approach and we examined authorities elsewhere at the top three tiers of management to develop options that were highly cost effective and which could deliver substantial cost reductions to Oxfordshire taxpayers.

More recent changes

19. At the broadest level, following the Brexit vote in late June 2016 and the subsequent changes in the Administration and Machinery of Government, the Council has had to review its forward plan again. This is because the stance of Government has changed markedly in some areas (city regional footprints for economic growth have become larger); and in other areas is subject to review and change (potentially in respect of children's services). This impacts on the feasibility of any move towards the "unitarisation" of English Counties as well as to the more general financing of local government functions and activities (such as the business rate retention policies and the distribution of revenues from new developments). Moreover, approaches to health and social care integration (potentially impacting upon over one-half of the County's functional spend) are

now in review as the 44 Sustainable Transformation Plans (STPs) are in consideration by NHS England and the Dept of Health.

20. More narrowly changes are anticipated in the County's top management team as both the Director for Adult Social Care and the Director for Children, Education & Families will be leaving in the coming months.

Moving to implementation

21. It is now the right time to deliver the findings of the senior management review. The Council's management needs to be fit for new purposes. The SMR process has been updated by the work the Council has undertaken in recent months on the transformation of services and on the future of local government in Oxfordshire, including a unitary structure or structures. The conclusions of the SMR have also been informed by the need to:

- Build on the foundations that are already in place, with the numbers of senior managers reducing by 40 per cent since 2010;

- Enable the council to rapidly develop and put in place a new operating model. This will focus on how the council can most effectively support the aims of Efficient Public Services in the Corporate Plan. The new model will see the council become smaller, but more flexible and agile, as it works more smartly for and with Oxfordshire's communities.

- Ensure a stronger 'One Council' approach, driving and embedding new approaches across the organisation;

- Ensure that there is the flexibility to 'Think Unitary, Act Unitary' to meet the future needs of Oxfordshire residents;

- Achieve efficiencies and savings

Proposals in detail

22. The County's current senior management structure can be found at Annex 2. This directorate based structure has served the Council well over recent years but it is clear message that now is the time for change. The proposed new senior management structure can be found at Annex 3. Although still presented in a traditional "structure chart", the ways of working proposed deliver increased flexibility based on need at any particular times. What matters is corporate responsiveness to improve collective managerial accountabilities.

23. The key changes, and proposed approach are:
1) Since the departure of the last Chief Executive the Council has been operating with a County Director who also fulfils the role of Head of Paid Service. It is

proposed that that the title 'County Director' has served its purpose and that role should be re-designated as Chief Executive in the new structure.

2) Director posts would be re-designated as Strategic Directors and reduced from 5 to 3. They would cover People, Communities and Resources. The Strategic Director for Resources post would be carried out by the Chief Executive, who will also take the lead on the transformation programme. These Strategic Director roles would focus on Council-wide, corporate responsibilities, problem solving and performance management; more than they would oversee service strategy and operational delivery.

3) It is proposed that the existing Director of Public Health (DPH) assumes on an interim basis the Strategic Director for People role, while retaining his statutory DPH role.

4) It is proposed that the existing Chief Legal Officer assumes on a permanent basis the Director of Law and Governance role, including the statutory role of Monitoring Officer.

5) It is proposed that expressions of interest for the Strategic Director for Communities role are sought from the wider ECCMT grouping.

6) The Deputy Director and Corporate Advisor posts that remain would be re-designated as Directors; unless there is a statutory element attached to the role of Director, in this case 'Head of' will be used. The statutory roles of Director for Children's Services and Director for Adult Services would sit at the Director level, reporting into the Strategic Director for People. Given the statutory nature of these roles the Council has already successfully appointed to these posts in advance of the departures of the existing Director of Children, Education & Families and the Director for Adult Social Care.

7) Within Resources one post would be re-designated as Assistant Chief Executive. The main emphasis of this role is to provide strategic and policy support to the Chief Executive. This role is important given the breadth of change underway to deliver the ambitions for the council, the transformation agenda and because there will not be an additional person in the Strategic Director for Resources role. The Assistant Chief Executive will also have a prominent external role in handling a wide range of relationships with government, partners and stakeholders.

24. Further details about which services could report to Strategic Directors are at Annex 4. These are indicative and subject to agreement with Strategic Directors.

Principles for reshaping services

25. In proposing the new structure and the regrouping of services the following principles were and will be applied:

1) Services should be grouped so that the management of those services are able to realise positive synergies in terms of designing and delivering more

effective services for customers and service users; and are able to realise efficiency gains through strategic budgetary control and by eliminating waste, duplication and unnecessary management overheads

1) Management layers, accountabilities and reporting lines should be few, simple and clear; and managerial "spans of control" should be stretching (up to 8)

2) New management arrangements must also deliver a relentless focus on improving service performance; motivate people towards change for improvement as well as being adaptable and flexible.

3) There needs to be a straightforward relationship between any new management arrangements and the Council's scheme of formal delegation – thereby ensuring that the political dimension of the Council links with the management side in a way that enhances overall organisational effectiveness and efficiency.

4) Where required, appointments to posts would be using the robust selection methods we currently use to appoint senior managers, which includes development planning for successful candidates. This first phase of implementation of the senior management review will be accompanied by the articulation of a new direction for the council, a refresh of the corporate values and behaviours, and phase one of the Council's transformation programme.

32. A series of recommendations based on the findings of this review are provided for consideration in a covering report for Cabinet.

1 November 2016
report authors:
Dr Barry Quirk CBE (Penna Associate) and Julie Towers (Managing Director, Penna)

Annex 2 – Current senior management structure

Oxfordshire County Council

County Director

- **Chief HR Officer**
- **Chief Legal Officer**
- **Chief Finance Officer**
- **Chief Policy Officer**

- **Acting Director for Environment & Economy**
  - **Deputy Director for Commercial & Delivery**
  - **Acting Deputy Director for Strategy & Infrastructure Planning**

- **Deputy Director for Transformation**

- **Chief Fire Officer**
  - **Deputy Chief Fire Officer**

- **Director for Adult Social Care**
  - **Deputy Director Joint Commissioning (Adults & Children)**
  - **Deputy Director for Adult Social Care**

- **Director for Children, Education & Families**
  - **Deputy Director for Children's Social Care**
  - **Deputy Director for Corporate Parenting & Safeguarding**
  - **School Organisation Planning Manager**

- **Director for Public Health**
  - **Deputy Director for Public Health**

Annex 3 – Proposed senior management structure

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                    │  Chief Executive*   │
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│    Strategic     │ │    Strategic     │ │    Strategic     │
│   Director for   │ │   Director for   │ │   Director for   │
│    People**      │ │   Communities    │ │    Resources     │
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Strategic Director for People**
- Director for Children's Services
- Director for Adult Services
- Head of Public Health**

Strategic Director for Communities
- Director for Strategy Infrastructure and Planning
- Director of Environmental Operations
- Chief Fire Officer

Strategic Director for Resources
- Director of Finance
- Director of Law and Governance
- Assistant Chief Executive
- Director of Human Resources
- Director of Customer Experience
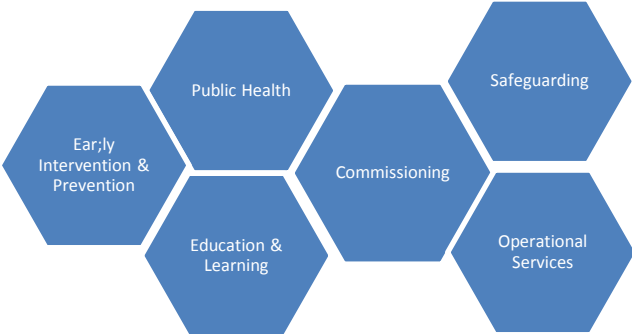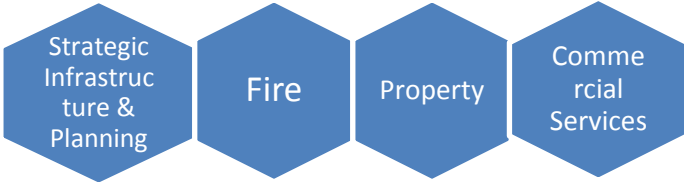
* Chief Executive will also cover the role of Strategic Director for Resources
** Strategic Director for People will retain the role and title of Director for Public Health

Strategic Director for People

- Public Health
- Ear;ly Intervention & Prevention
- Education & Learning
- Commissioning
- Safeguarding
- Operational Services

Strategic Director for Communities

- Strategic Infrastructure & Planning
- Fire
- Property
- Commercial Services

Reporting into the Chief Executive as Strategic Director for Resources

- Member Services & Corporate Governance
- Human Resources
- Policy
- Customer Services
- Legal
- Finance
- Communications