

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Employment in Hampshire County Council
Date:	13 March 2019
Title:	Corporate Management Capacity
Report From:	Chief Executive

Contact name: John Coughlan, Chief Executive

Tel: 01962 847300

Email: John.coughlan@hants.gov.uk

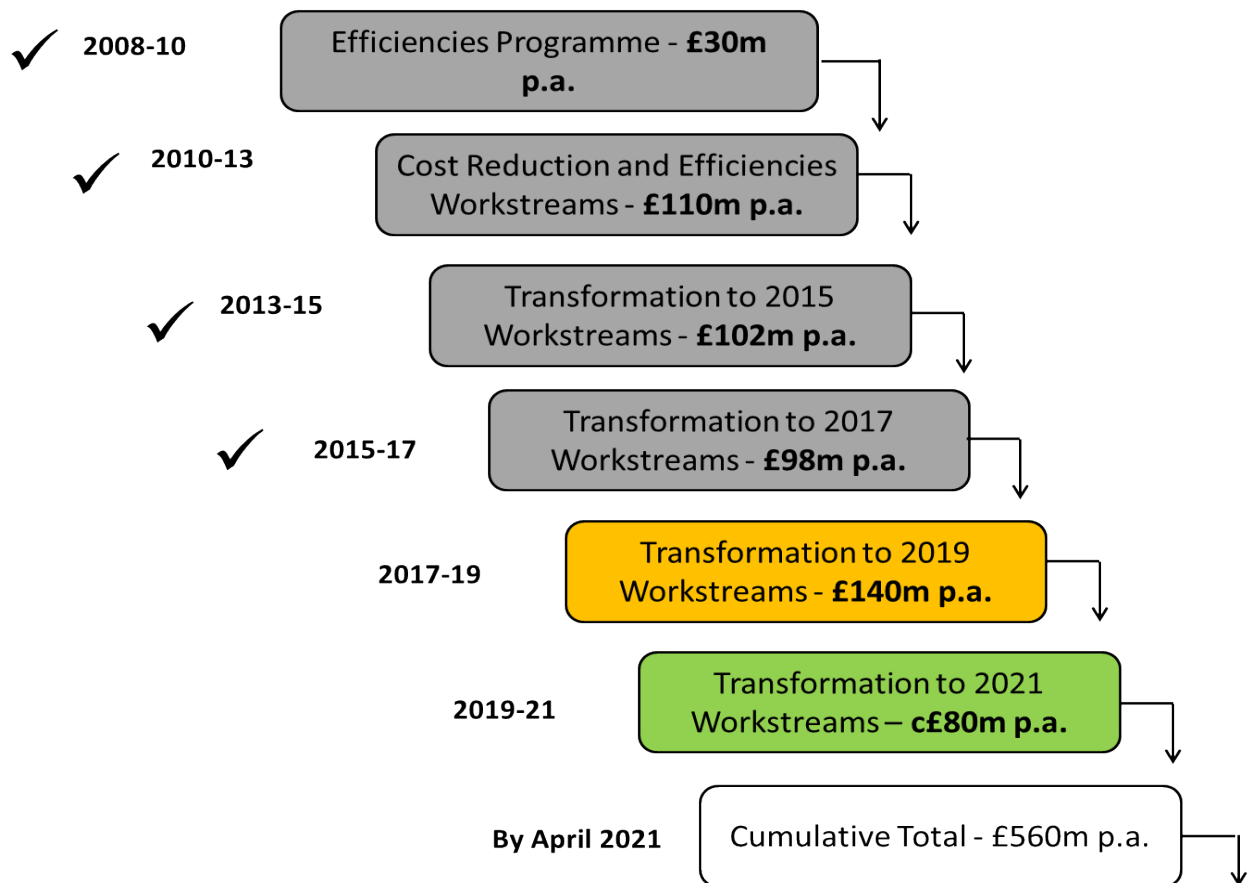
1. Recommendation(s)

- 1.1. It is recommended that the EHCC Committee notes and agrees the proposed adjustments that are being made in departmental management arrangements, as outlined in the body of the report, in order to provide the necessary capacity and capability to meet the Council's change programme.
- 1.2. It is further and specifically recommended that EHCC agrees the reaffirmation of the previously established approach to local flexibilities in the development of interim additional capacity within DMTs in accordance with the constraints described in paragraph 3.23.

2. Summary

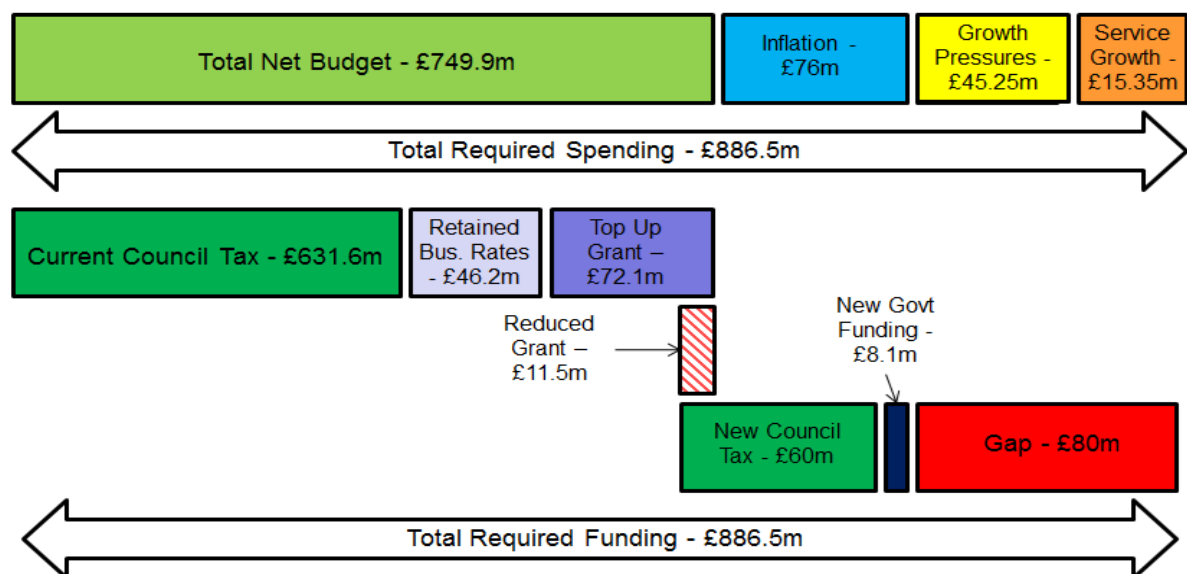
- 2.1. The purpose of this paper is to update and secure support from Members of the Committee on progress being made to adjust senior management capability and capacity as a result of recent and proposed changes to departmental management team (DMT) membership across the organisation. The report addresses the continuing need for the County Council to work to meet its Transformation to 2019 targets as well as reduce its spend by a further £80m by 31 March 2020/21. In so doing, and in keeping with the politically approved corporate objectives, including an ambitious programme of strategic projects and the ongoing development of the "extended organisation" (see Appendix 2), the County Council needs to ensure it has the right quantity and quality of senior management capacity to successfully lead the organisation through this next critical phase.
- 2.2 The wider historical and current financial context was last reported to Cabinet in December 2018 and this has been further supplemented with the Medium Term Financial Strategy report to Cabinet and Full Council in March 2019. The following diagram shows one version of the cost

reduction exercises that have been in train for over a decade now including the Transformation to 2021 programme requirement:



Note: The cumulative figure is made up of inflation, demand and reduced grant

2.3 The cumulative total therefore reaches over £0.5 billion of revenue savings achieved over the period to April 2021. However, while this total is an accurate representation of the annual value of the transformation programmes, it is also recognised that this figure does not represent simple “savings” as such. Rather it is a combination of direct savings, compounding inflation and the cost of increasing demand. That is why the diagram on the following page is now used alongside to offer a different but accurate depiction of the continuing financial challenge, this time up to 2021.



Notes:

Blocks are not to scale. Inflation estimate covers a 2-year period. Growth pressures relate mainly to Adult and Children's Services demographics. Service growth includes new targeted investment e.g. into I.T.

- 2.4 In an increasingly precarious local government sector, the County Council can be justifiably proud that it has achieved these transformation programmes to time and target, thereby ensuring a level of financial stability and security that is the envy of many authorities and, more importantly, is to the great benefit of citizens of Hampshire and especially those who depend upon critical services. With particular regard to those services, it is also notable that the County Council's performance in its key areas of activity remains at a very high standard throughout. This was outlined in some detail at the most recent performance report ("Serving Hampshire") to Cabinet in December 2018.
- 2.5 To meet these twin challenges, of hard fought and carefully delivered financial sustainability alongside continuing general top quartile performance, it has been essential that the County Council has protected (and developed) its senior management capacity across the departments.
- 2.6 Two appendices to this report further illustrate what has been and will continue to be required to maintain these levels of financial and service performance. Appendix one, Strategic Focus, gives a simple depiction of the range of corporate projects and initiatives that sit across the "business as usual" activities of the service departments. Each of these projects and initiatives is making a vital contribution to the progress of the organisation but is also demanding of time and talent from senior managers. Appendix two, the Extended Organisation, is again a simple but developing illustration of the range of significant income generating partnerships and activities that have been developed through the corporate trading strategy. These range from the Integrated Business Centre that now supports six other major organisations, the work of Children's Services across at least four

authorities, and a plethora of other business activities. The trading strategy does not pretend that HCC can trade its way out of its financial challenges. Instead it helps secure the County Council's ability to recruit and retain the best senior managers by testing them from a position of confidence. It helps build the reputation of the authority as a skilled, supportive and enabling organisation, and it does deliver a gross income of at least £130 million per annum. Both appendices serve to illustrate the radically different expectations and opportunities presented to HCC's senior managers in what is a high performing but highly demanding organisation.

- 2.7 It has also become increasingly apparent that this approach to sustaining internal capacity contributes substantially to the County Council's positive approach to succession planning. The organisation remains deeply committed to actively seeking strong external competition for all new senior vacancies. Regrettably, especially for some specialist senior roles in, for example, social care and highways, both the quality and the quantity of external applications can be limited. The markets for some posts are extremely "dry" with candidates reluctant to move or the best people being well held by their current employers. In these circumstances it is of the utmost importance that we are providing effective support and stretching opportunities to senior managers so that they are well prepared to fill higher level responsibilities and also bring with them the imbued Hampshire standards of public value, innovation and effectiveness.
- 2.8 Accordingly, at different points of the austerity journey, reports have been brought to EHCC addressing senior management capacity and deployment. Much earlier, this included a strong approach to reduction of general capacity, but a proportionate status quo has been held since then as it became clear that a crude and disproportionate reduction of this capacity, as adopted in some organisations, simply served to denude those organisations' ability to cope with a new public sector environment. It is also arguable that this is not genuine status quo given that the numbers of senior managers have remained relatively unchanged for some years, but the levels of additional corporate activity have grown substantially, as per the appendices. A number of service specific management reports have also been brought to EHCC over time and occasionally there has been a more comprehensive report clarifying a range of changes across all departments. This is one such report. This report updates the committee on further changes proposed in the Departments across the Council including particularly the issues around management capacity for the Transformation to 2021 programme. All the proposals can be contained within the current reduced departmental cash limits. Some of them are already in train as they do not require additional specific approvals. Some are permanent changes as a result of appointments to vacant roles, others are interim arrangements for specified periods of time. Any proposed permanent arrangements are subject to Member approval and the relevant appointment panels being established. All respective Executive Lead Members are supportive of their departmental proposals and actions.

3 Changes to Department leadership teams

3.1 Children's Services

3.2 Following the promotion of the Assistant Director, Access, Performance and Resources for Children's Services into the role of Director for CCBS, the opportunity is being taken to review the future role requirements.

3.3 It is clear that Children's Services is facing its most critical period of transformation since the policy of austerity was implemented in 2010. Despite an exceptional history of stability and high performance, the Department faces the same national challenges of extreme management and financial pressures, especially around children in care and children with disabilities. Given this it will be important to ensure the right level of capability and capacity is in the senior leadership team in order to meet these challenges.

3.4 The vacant Assistant Director role has been re-shaped and focussed to place greater emphasis on delivering business objectives through external partnerships and importantly will play a pivotal role in ensuring collaboration across the department and the council to improve outcomes for children. Recruitment started in January and is expected to be concluded prior to this meeting of EHCC following a Member appointment panel on 11 March.

3.5 During the last 12 months, the Assistant Director for Transformation has been working increasingly closely with Children's Services on its transformation programme and particularly on the 'Partners in Practice' programme, including its Sector Led Improvement work in order to develop income streams. Having this role at the senior leadership table has proved to be highly effective in terms of providing challenge, innovation and strategic thinking in taking forward the challenges of the transformation to 2019. Given this and the ongoing transformation agenda, the Assistant Director for Transformation will continue to retain oversight of the Transformation Practice, whilst also having a widened remit primarily focussed on Children's Services transformation and become a member of the Children's Services DMT. This adjustment to the positioning of the role with Transformation and Governance has no financial implications for either department.

3.6 Whilst reviewing the wider strategic requirements of the service, it has become clear that there is a need to create a cross-council role in order to continue the development and delivery of the capital delivery of the property strategy. In the past two years the role of the former Head of Strategic Development has been extended outside of Children's Services to provide much needed additional support for Adults' Health and Care in the acceleration of the extra care strategy, among other activities. Given the remit and critical nature of this role it is proposed to convert the post and create an additional Assistant Director post. This post will nominally remain in Children's Services for direct reporting but will also work corporately across Adults' Health and Care and CCBS, joining the respective DMTs as required. The job title will be Assistant Director (Property and Capital Delivery). It is proposed that the current post holder will be appointed on an

interim basis subject to member approval on the basis of an exceptional track record. A review will take place in 12 months and if appropriate confirmation of this appointment on a permanent basis will be sought via a member appointment panel.

- 3.7 It is anticipated that these changes can be brought about within existing budgets in order that there is no additional cost to the council. It should also be noted here that the section below which deals with deputising arrangements for directors includes a specific reference to Children's Services which is also cost neutral (para 3.21).
- 3.8 **Adults' Health and Care**
- 3.9 The ongoing austerity measures continue to impact the work of Adults' Health and Care. The sustained financial pressure is creating an environment which demands the need for continued significant changes to the way in which social care is delivered to the residents of Hampshire, who are typically living longer but in poorer ill-health. Partners across the health and social care landscape are committed to integrated working. However, that will put further demands on both the capacity and the capability required of DMT, particularly the need for partnership working in a highly complex and political environment.
- 3.10 The senior leadership team has been highly effective, achieving both the delivery of the department's saving targets and re-modelling the service. However, the role of Assistant Director for Older Adults has been operating on an interim basis for some time, and the role of Assistant Director for Transformation & Digital has recently become vacant. Given this, and to ensure the department continues to have a leadership team that will meet the challenges referenced above, recruitment is underway for both roles.
- 3.11 The Assistant Director for Older Adults is an appointment of national level importance, with a spend of some £140m per year in this service area. This is the biggest and arguably most complex service area given its performance is fundamental to keeping the increasing older population of Hampshire living as independently as possible with the optimal level of wellbeing, as well as being our largest group of people supported through eligible, publicly funded support working closely with the NHS and the wider care sector. It will be critical to recruit an individual with a deep knowledge of the sector, the capability to develop it further and effect the changes required, not least a sustained improvement to delayed discharges of care.
- 3.12 The Assistant Director post for Transformation & Digital is a key role that is central to supporting the department to transform if not revolutionise how the department operates in the future. Exploiting innovative technologies and the application of digital capability will provide the department with the single greatest opportunity to provide better outcomes for service users as efficiently and effectively as possible. The Assistant Director for Transformation & Digital must ensure the development of the operating model between the technological opportunities and the best principles of care in our service delivery. The risks associated with the adoption of

technology or digital solutions across a department as large and complex as Adults' Health and Care is significant, hence the need to recruit strong leadership capability in this area.

- 3.13 Both posts are part of the current Adults' Health and Care DMT establishment, therefore there is no increase in current capacity. A Member appointment to the Assistant Director for Transformation & Digital has now been made, with recruitment activity progressing for the Assistant Director for Older Adults. The expectation is that this will be concluded by the end of March.
- 3.14 Furthermore, the Director of Public Health has very recently given notice of their retirement at the end of June 2019. This post is a statutory role. It is suggested that an appointment of an internal interim Director of Public Health, for a period of up to 12 months in the first instance, is undertaken to enable continuity of the current Public Health programme. This process will need to be managed in tandem with Public Health England.
- 3.15 **Corporate Services – Corporate Resources**
- 3.16 Following the vacancy created by the Head of HR & Workforce Development moving on, the role has been reviewed taking account of the Council's requirements together with the wider Shared Services partnership. The now titled Assistant Director, HR and Workforce Development role went out to market in February 2019, with interviews and a full member appointment expected in early May. This role will have autonomous Heads of Service embedded within the respective partner organisations in the same way as Finance which will therefore mitigate the risks of one person holding excessive responsibility across all organisations within the partnership.
- 3.17 **ETE**
- 3.18 Following the departure of the Deputy Director – Highways, Traffic and Transport, that role was reviewed and subsequently ringfenced to a group of suitably qualified Heads of Service within ETE. Through this competitive selection process an 'acting up' appointment was made from this cohort to the role of Interim Assistant Director – Highways, Traffic and Engineering for a period of 12 months starting in May 2018.
- 3.19 It is clear that this role is critical to the ongoing delivery of these services, and never more so than in the current context. The interim arrangement, with a senior leader from current establishment taking the role forward has proved very successful not least in leading the challenging process of managing the transition to a new Highway Service provider and mobilising a new and different type of highways contract and supplier relationship. It is therefore proposed to place this post on a more formal footing in order to continue and ensure ongoing appropriate leadership, in both capacity and capability terms, are in place as we move through to Transformation to 2021. The changes can be secured from within the department on a cost neutral basis.

3.20 Following the rise of EHCC, an appointment panel will be convened to consider confirmation of this interim appointment into a permanent position.

3.21 **Deputy Arrangements for Directors**

3.22 Going forward it is considered appropriate that Directors should have the ability to nominate an existing Assistant Director as a formal deputy to provide support and additional capacity on transformational and departmental leadership. Such arrangements will only apply to established and “senior” assistant directors and should have little if any financial implications, all of which will be borne within departments. One particular example is that the established structure for Children’s Services has always defined the most senior roles for social care and education as deputy director roles to ensure appropriate seniority and balance for the two crucial and counterbalancing service duties of the department. Neither role has been defined formally as a deputy for the past three years, but that anomaly should now be resolved for both posts (at nil cost to existing salaries). EHCC will be kept updated on other deputy arrangements in due course and according to departmental needs.

3.23 **Future Capacity**

3.24 The need for management capacity to continue to meet significant challenges faced by the organisation has long been recognised. The full extent of what will be required for Transformation to 2021 is not yet known, although it can be predicted that additional capacity will be required to cope with the change programmes, cost reduction and associated activities within the council. That includes evolving to manage the extending organisation, for which the cost of additional capacity is covered by generated income. It is therefore proposed that each Chief Officer may, if required and with the approval of the Chief Executive and in consultation with respective Executive Lead Members, create an additional post at the level of Assistant Director from internal capacity. Such posts would be on an interim basis up to but not beyond two years without formal member approval. EHCC will be kept updated of any such arrangements in future management capacity reports.

4 **Finance**

4.1 There are no direct financial implications to this report. All roles above will be met within current budgets; with salaries reflective of established rates.

5 **Conclusion**

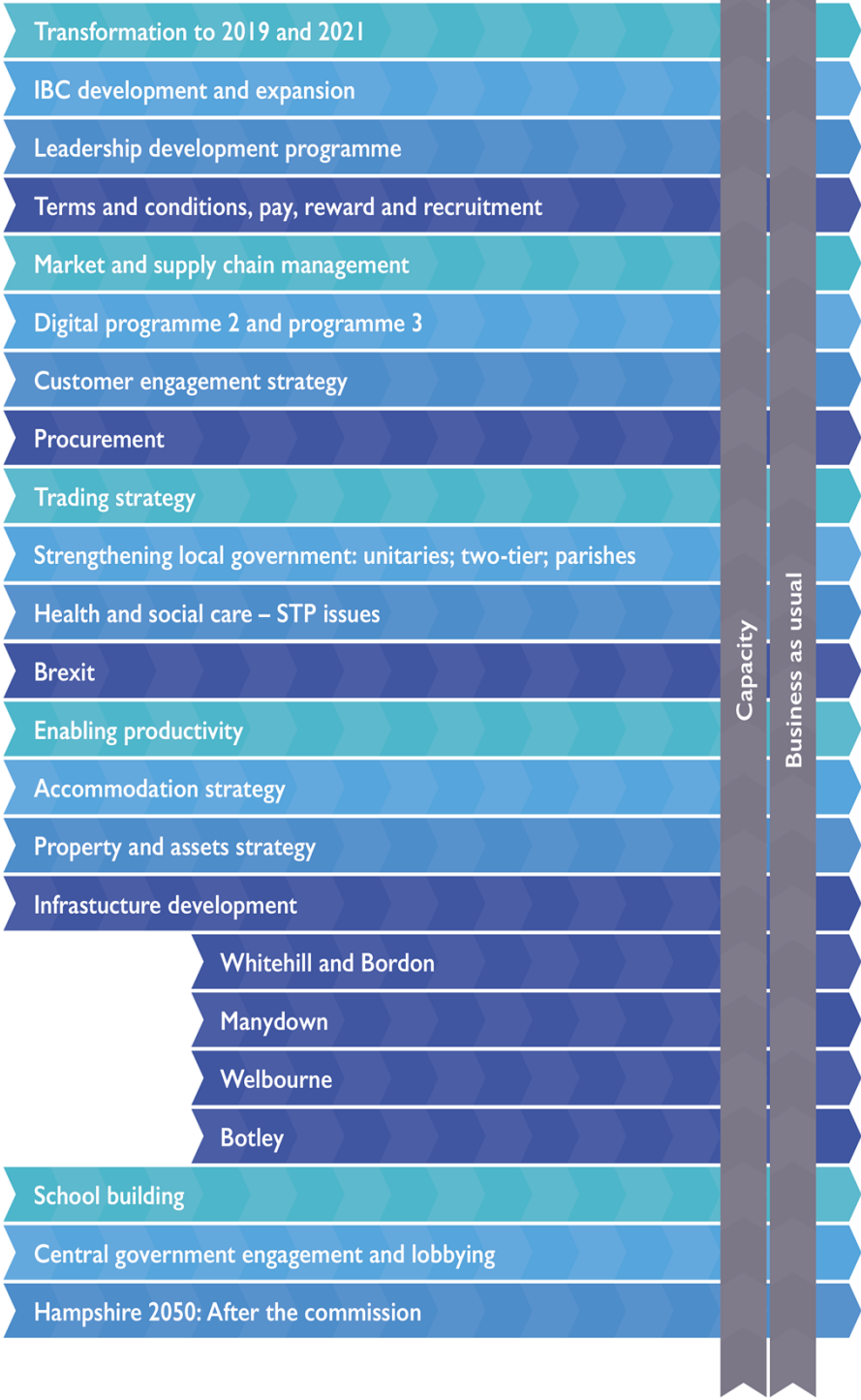
5.1 The core basis of this report is the successful and sustainable delivery of current and future transformation programmes through the continued progression of the most effective and flexible senior management capacity and in line with the organisation’s established strategic approach.

5.2 At the beginning of austerity, the County Council adopted a radical approach to senior management reductions which were appropriate for the time and circumstance. Since then the organisation has learned from internal and

external experience that it is counter-productive if not dangerous to continue to radically denude senior leadership and management capacity while the organisation transforms and, in some respects, expands. This does not mean that senior management capacity is in any way protected from the usual savings reviews which form the basis of Transformation. This report therefore describes a restrained but proactive approach to ensure that the appropriate levels and quality of capacity is retained and developed for the current and future effectiveness and success of HCC.

- 5.3 Inevitably this remains work in progress. While this is one of the more comprehensive management capacity reports which addresses a range of departmental issues, more will inevitably follow. For example, as the new Director of CCBS becomes established there are likely to be further recommendations forthcoming in due course from that department.

2019–2021



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CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision to enable appropriate management capacity to be available to manage the Council's change programme.

Other Significant Links

Links to previous Member decisions:

<u>Title</u>	<u>Date</u>
Serving Hampshire – Strategic Plan for 2017-2021	19 June 2017

Direct links to specific legislation or Government Directives

<u>Title</u>	<u>Date</u>
None.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- 1.1.1 The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- 1.1.2 Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- 1.1.3 Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by proposals in this report.

6 Impact on Crime and Disorder:

6.1 Not applicable.

7 Climate Change:

7.1.1 How does what is being proposed impact on our carbon footprint / energy consumption? Not applicable.

7.1.2 How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Not applicable.