

TO: EXECUTIVE
DATE: 8 MAY 2018

RESTRUCTURE & PERFORMANCE MANAGEMENT
CHIEF EXECUTIVE

1 PURPOSE OF REPORT

- 1.1 This report outlines proposed changes to the senior management structure and related adjustments to the performance management and pay regime for senior officers.

2 EXECUTIVE SUMMARY

- 2.1 The Council has come under sustained pressure in recent years when looking to recruit at the most senior levels. Korn Ferry have been appointed to review the Council's salary package in relation to the national and local market.
- 2.2 The independent review has confirmed that, because it has not been reviewed since 2007, in some areas the Council's recruitment package is well below market rates. The report therefore proposes that senior salaries are indexed to the Korn Ferry "not for profit" and "public sector" database.
- 2.3 At the same time the report also proposes a restructuring of the Council's officer leadership to reduce overall management costs. Linked to this, it is also proposed to strengthen the Council's appraisal process for senior officers.

3 RECOMMENDATIONS

That the Executive:

- 3.1 **Agrees the new management structure as set out in paragraphs 6.11 to 6.19;**
- 3.2 **Agrees the deletion of the posts of:**
- **Director of Resources;**
 - **Director of Environment, Culture & Communities;**
 - **Chief Officer: Environment & Public Protection;**
 - **Head of Performance & Resources (Environment, Culture & Communities);**
 - **Chief Officer: HR;**
 - **Chief Officer: Planning, Transport & Countryside;**

- **Chief Officer: Customer Services;**
and from 1 April 2019
 - **Director: Adult Social Care, Health & Housing;**
 - **Director: Children, Young People & Learning.**
- 3.3 Links its pay policy for Directors and Chief Officers to the 25th – 50th percentile of the Korn Ferry public and not for profit market database;**
- 3.4 Agrees to invoke the Council's organisational change protocol for those officers impacted by the proposed changes;**
- 3.5 Agrees the outline changes to the performance management system summarised in paragraphs 6.21 to 6.24.**

4. REASONS FOR RECOMMENDATIONS

- 4.1** Within the Council there has been a sustained focus on reducing the cost of senior leadership in order to protect funding for front line services. This has resulted in a reduction of five Chief Officer posts in recent years. The longer term intention has also been to reduce the number of Directors, but the timing of this has been dependent upon retaining adequate capacity to deliver the Councils' transformation programme.
- 4.2** This overall approach has been working well and the Council remains on track to close a budget gap of around £25m between 2016/17 and 2020/21. However, and threatening to jeopardise the long term strategy of transforming the Council into a fundamentally sustainable whilst high performing organisation, there are two issues causing significant pressures for the Council at the moment:
- the ongoing and consistent success of the Council has made our staff very attractive to other employers. In the last twelve months the Ofsted and CQC inspections plus the opening of The Lexicon have been conspicuous achievements. Each has, however, resulted in subsequent staff loss as recruitment consultants, agencies and other employers regularly approach key staff about other jobs.
 - the employment market itself has also become increasingly competitive. Local salaries for some senior staff, where the Council recruits in a national market, have slipped well behind the market rate. This is made more acute as we are a high cost area. Although we have eventually successfully filled each post advertised in the last three years, there have often been specific circumstances and few appointable candidates.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1** There are many valid ways in which management structures can be set. However, when determining these structures a fit with the organisation's strategic and operational priorities is essential. This report outlines the principles upon which proposed changes are based and how they link to these priorities.

- 5.2 Similarly, salary structures can be set at various levels to maintain an organisations ability to recruit and retain talent at the appropriate level. The proposals in this report recognise that Bracknell Forest is a relatively small unitary authority, but that we operate in a high cost area.
- 5.3 Leaving salaries and structures as they currently are will risk further recruitment and retention difficulties at this crucial strategic leadership level.

6 SUPPORTING INFORMATION

Recruitment & Retention

- 6.1 The last full salary review undertaken by the Council was supported by Hay MSL, the national leaders in pay and remuneration at the time, in 2007. Prior to that Hay had advised the Council on a bi-annual basis and a de-facto policy of paying at the 25th percentile of the Hay 'public and not for profit market' data base had been established. In the event the 2007 review coincided with the onset of the global financial crash and the recommendation, which would have maintained that 25th percentile position, was not implemented.
- 6.2 Over the years since 2007 the Council has performed well and has been regarded as a good and ambitious employer to work for. However, recent years have also seen the Council's salaries for some posts become less competitive and a number of senior positions have proved to be difficult to recruit to. This has been exacerbated in the last year by an unforeseen impact of recent conspicuous successes – such as the Ofsted and CQC inspections and the successful opening of The Lexicon. These successes have made Bracknell Forest staff very attractive in the market and many have been directly approached and have moved on to other higher paid posts.
- 6.3 Some natural turnover of staff is healthy and, indeed, essential to bring in new ideas and experience. However, retaining existing high performers (across all Departments/Directorates) where possible is also clearly beneficial. It saves potential service disruption and avoids expensive recruitment costs (about £30 - £40k per post if recruitment consultants have to be used). When natural turnover does happen, though, we need to be competitively placed to recruit new staff to continue to drive the organisation forward.
- 6.4 This is, of course, an issue that impacts across the whole organisation. The Overview & Scrutiny Commission have recently held two workshops looking at recruitment and retention issues for staff below Chief Officer level and a number of initiatives are being developed as a result, including:
- the Council's recruitment branding and marketing
 - looking to introduce greater career flexibility
 - improving workforce planning
 - introducing key worker housing via Downshire Homes Ltd
- In relation to the most senior staff, however, Korn Ferry (whom Hay MSL are now part of) were commissioned to review the Council's remuneration position during the autumn 2017.
- 6.5 At the most senior level, the Council has eight different grades (S1 – S8) although two (S5 and S7) are not currently used. Korn Ferry found that, compared to the "Public and Not-for-Profit Market", the Council's position in relation to Chief Officers

grades S1 – S3 remained competitive, but that from S4 – S8 it pays below the median levels and at the highest levels significantly below the median salary. Appendix A shows the Korn Ferry comparison compared to the current Bracknell Forest salaries.

- 6.6 Of course, pay is not the only determinant of how attractive an employer is. Other factors can include organisational issues such as the culture, ambition and fairness of the Council as an employer. Similarly, training opportunities and the approach adopted by Members can help make an attractive employer. Nonetheless, pay is clearly important. The fact that some salaries have moved so far from the previous target point of 25th percentile goes a long way towards explaining the increasing difficulties we have experienced in recruiting at the most senior level in recent times. Ironically, there is a significant chance that the slippage in salary costs is actually adding costs through the need to repeat recruitment exercises after unsuccessful attempts. In the last year the Council has had to advertise for a Chief Officer: ICT and Chief Officer: Adult Social Care. This can cost up to £40k if specialist consultants are needed for specific shortage. In addition this creates a gap in service in some instances and has increased the vacancy rate. In cases where this gap is not acceptable then further additional costs can be incurred to resource interim arrangements.
- 6.7 Pay policy in a public sector organisation is clearly a very sensitive issue. At one level, residents will naturally expect the Council to employ talented and effective leaders who are committed and able to create a positive future for the Borough while providing the best services possible within the available resources. At the same time, residents would not want or expect to pay more than the market rate to attract and retain such people.
- 6.8 As a Unitary Authority, Bracknell Forest has the full range of local government functions (as opposed to County Councils and District Councils where functions are split between two levels of authority). The Council's gross spend is around £266m per annum. At the same time, Bracknell Forest is one of the most expensive areas in the country with housing costs, in particular, exceeding the national average for England by £58,000. Against this, Bracknell Forest's population is, compared to many local government areas, relatively small and that too needs to be reflected in the salary levels.
- 6.9 Taking these issues together it is suggested that an appropriate pay policy would be a reduction on the pre 2007 policy of tracking the upper quartile 25th percentile point. Instead, it is suggested that pay ranges are introduced for all grades below S8 (the Chief Executive grade) and that these are set so that the top of the grade tracks the 25th percentile whilst the bottom point tracks the median itself, with 6 equal incremental points between the two. Adopting this approach would mean that Bracknell Forest pays above the national median for all senior grades (except the Chief Executive where the national data may be distorted by high salaries in the academic sector) – reflecting its multi-functions and location in a high cost area – but always pays below the top 25th percentile - reflecting its size. The salary grades that would result from implementing this policy with effect from 1 April are shown in Appendix B. In the case of the Chief Executive, there is clearly a distortion in the Upper Quartile figure due to other higher paid sectors. Therefore, rather than unnecessarily inflate the Chief Executive salary, it is suggested Members set a percentage differential between the highest paid Director role and that of the Chief Executive. That differential will be a matter for Members.

- 6.10 Adopting this approach is likely to save money in the long term by avoiding cost of disruption through increasing turnover rates and the associated recruitment costs. It could, however, add around £80,000 or, with on-costs £105,000 to the immediate base salary costs.

Organisational Structure

- 6.11 A straight increase in senior management costs is clearly not desirable. Consequently options to further reduce the most senior headcount have been examined. The proposals that follow would result in a reduction of the Council's leadership team by two Directors (out of four) and one Chief Officer (out of 15). The changes would come on top of the sustained downward pressure on senior management costs which have led to a reduction of five other Chief Officer posts in the last few years.
- 6.12 In reviewing the organisational structure a number of fundamental principles need to underpin the proposals:
- ALL services are important – but the Chief Executive needs to focus on issues of real strategic significance and reflect this in the direct reports to him/her
 - the maximum comfortable span of control is about 5 or 6
 - where possible similar services need to be grouped (e.g. social care)
 - some, but not all, activities need “professional” leadership
 - not all of the Chief Executive's direct reports have to be at the same level/grade
 - there needs to be realism about the skills available in the organisation - we need to make sure we have broadly “round holes” for the “round pegs”.

a) Finance, Organisational Development and Planning

- 6.13 Applying these principles, whilst all services are important, for the foreseeable future, Finance, Organisational Development and Planning/Regeneration have a particular added strategic importance. The financial pressures facing the Council are obvious with a need to bridge the funding gap of £25m over the period 2016/17 – 2020/21. Similarly the need for effective organisational development in the face of the changes and transformation needed to meet these financial targets in a sustainable way is largely self-evident.

Planning, particularly the completion of the Local Plan, the ongoing development of Bracknell town centre and the Council's approach to major issues such as housing growth, economic development and environmental protection will set the strategic context for the Borough for the next 20 years. These subject areas form the basis of “place-shaping” and the legacy that each Council leaves to its successors. As such it is a key concern of both the political leadership and the Council's management.

- 6.14 Given their strategic significance each of these three functions should report directly to the Chief Executive. Each is led by a professional with specific expertise in the subject area rather than a “general manager”. These are, not, however, functions that have any compelling synergies with other service blocks that would naturally form the foundation for a wider grouping of activities in a slimmed down leadership structure.

b) People Services

- 6.15 By contrast, social care and people related items form an obvious service block drawing together adults and children's services – exactly along the lines of the proposals for a People Directorate that were agreed by the Executive in November

2017. Such a grouping is very large, covering around two thirds of the Council's spending. To ensure it is effectively managed, senior officers operating at Chief Officer level will need to lead each of adult and social care; learning/support and challenge for schools; public health; commissioning across all service areas; and increasingly, early help (which includes housing and benefits and a wide range of other 'preventative' services). Such a wide grouping of activities will need an Executive Director to whom the six service blocks will report. The Executive Director role will bring a strategic coherence and drive forward and coordinate important opportunities for integration of elements of adults, children's and public health services.

c) Other Service Blocks

6.16 Adopting this approach leaves six important service blocks of varying sizes which do not sit naturally within the emerging framework of people, place and planning, finance and organisational development/transformation. These are:

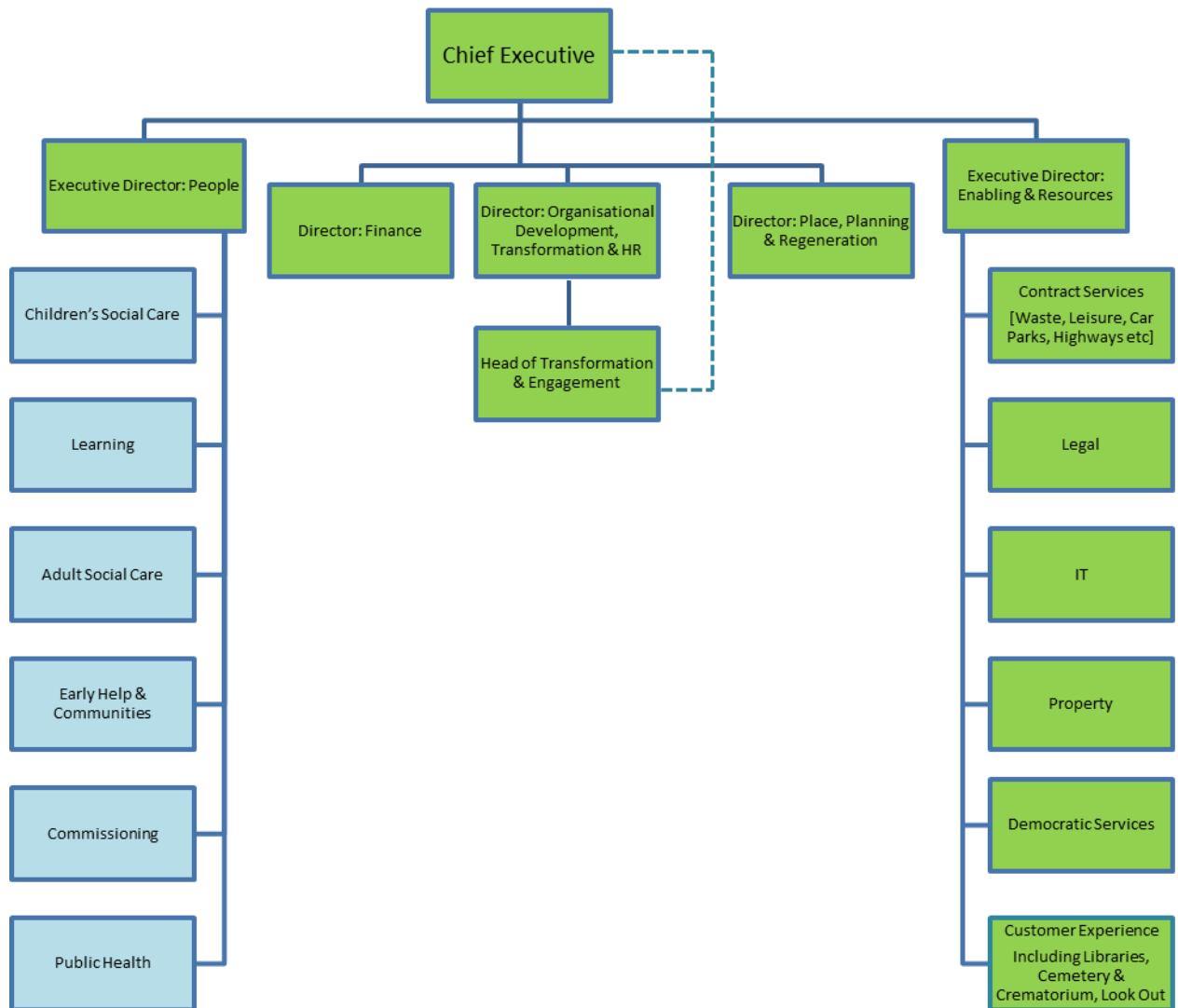
- Environment (essentially contract) Services
- Legal
- Democratic Services
- ICT
- Property
- Customer Experience

6.17 The potential exists within this grouping of services to pioneer an exciting and innovative approach to customer services by bringing all of the Council's front line "choice" services into one Department. That would clearly involve the current customer contact centres but could be expanded to include libraries, the Cemetery and Crematorium and E+ Card. All of these services are vitally important to the Council's overall presence in the Borough and to its "brand". A common theme for each of the services is the customer experience, with a sharp focus on residents as customers. Drawing all of these services into one Department will offer a significant opportunity to realise this and drive forward a common approach across a wide range of activities. However, the majority of the role is covered by the existing Chief Officer: Customer Services so that post holder will be automatically slotted in to the new enhanced role.

Adopting this approach to front line customer experience services would leave the client for the recently outsourced leisure contract falling very naturally into the Environment/Contract Department where client side and contracting expertise is a core requirement.

6.18 The remaining activities – Legal, ICT, Property and Democratic Services are all important enabling support activities. Grouping this wide range of largely disparate activities together would require a second senior "Executive" Director to provide overall co-ordination and leadership, although as with the current Environment, Culture & Communities and Resources Departments, a specific background and expertise in any specific area is less important than strong general management and leadership skills along with the ability to help drive forward the Council's new approach to service delivery.

The resulting high level structure would be as follows:



6.19 In effect the Chief Executive would be supported by two Executive Directors and sixteen other staff on Korn Ferry grades. Three of these, covering Finance, Organisational Development and Place, Planning & Regeneration would form the Corporate Management Team with the Chief Executive and Executive Directors. These three would be designated as Directors, reporting directly to the Chief Executive. The grade of each would be determined by the Korn Ferry evaluation but is unlikely to be at the level of Directors in the current structure. The remaining thirteen senior officers would report to an Executive Director under the designation of Assistant Director, which many of the current Chief Officers have indicated is a more modern title which is likely to present the Council in a more positive light in the recruitment market. Detailed structures below this level would be a matter for individual Directors and Assistant Directors.

d) Timing

6.20 In terms of timing, the best interests of the organisation are served by minimising the inevitable uncertainties associated with a restructuring exercise and implementing the new structure as quickly as possible. That does, of course, need to be counter-balanced by the need to maintain sufficient capacity and a clear focus on the two

major transformation programmes underway in children's services and adult social care upon which much of the Council's future financial sustainability depends.

As a result, it is proposed that all of the changes, except for the creation of the single Executive Director for People are implemented with effect from 1 September 2018. In the case of People Services, it would make sense to delay full implementation until 1 April 2019 so that both transformation programmes have clear and focussed leadership at Executive Director/Director level throughout 2018/19. However, once the direction of travel is clear and agreed, integration work to prepare for the new single Directorate would need to start in parallel with this. Consequently, it is proposed that a "Director Designate" be appointed with effect from 1 June 2018.

Appendix B shows the number of officers on each grade in the current structure. (Actual grades will be determined by formal independent evaluation by Korn Ferry). Taking the mid-salary point and the number of officers at each grade, the proposed structure is expected to result in a reduction in direct senior management salary costs of around £108,000. When "on-costs" such as national insurance and pension costs are included, this increases to around £137,000.

e) Performance Management

- 6.21 The introduction of these changes to the senior leadership team offers an opportunity to review the Council's performance management arrangements. Korn Ferry have also been asked to advise on the introduction of a system of performance related pay to incentivise the Council's senior managers. Having reviewed the options available, however, it is felt that the extent of any performance pay (typically 3 – 5% in the public sector compared to 25 – 40% in the private sector) would be insufficient to act as any form of significant incentive, unless base salaries are reduced to such a level that a large performance element becomes possible. Such an approach would, however, be counter-productive as base salaries would become completely uncompetitive making recruitment at senior levels almost impossible.
- 6.22 Whilst performance related pay offers little in the way of an incentive at the local level it is still possible to refine and improve the senior performance management system. At present, the Chief Executive appraisal is undertaken by a panel of four Members supported by an external facilitator. The process is robust and comprehensive. At Director level, however, formal appraisals are undertaken by Executive Members supported by the Chief Executive, who also undertakes a development interview with each Director. It is proposed that in future, the Chair of the relevant Overview & Scrutiny Panel is added to the appraisal Panel for Directors and the Panels are given specific responsibility for agreeing:
- a) objectives and targets with each Director and
 - b) the annual performance grade (on a scale of: outstanding, exceeds expectations, meets expectations and below expectations).

The targets would relate specifically to Service Plans which are agreed each year by PRG's and the Executive, thereby strengthening the link between Director performance accountability and the wider Membership. Further details will be developed and incorporated within a revised performance management policy for senior officers.

- 6.23 Following the formal Member appraisal the Chief Executive will have a development discussion with each Director which will be separate from the target setting and

performance assessment. Importantly, it is suggested that incremental progression for all senior staff becomes dependent upon the Director “exceeding expectations” – i.e. is reserved for very effective Directors following a successful year. This represents a significant shift from the current arrangement where annual increments to the maximum on the scale are automatic unless there is a significant performance based reason to withhold them. Revised contracts of employment will be issued to those affected.

- 6.24 A similar approach can also be introduced for Assistant Directors, although the appraisal discussion should continue to be undertaken by the Director or Chief Executive as appropriate. For Assistant Directors, however, an additional moderation of all grades awarded would be introduced by Corporate Management Team. Again, incremental progression would be restricted to those who were graded as “outstanding” or “exceeding expectations”.

f) HR Process

- 6.25 Consultation with affected senior officers and the recognised trade unions about the proposed structural changes has commenced, and comments received have been considered prior to submission of this report. Subject to Executive’s approval, the Human Resources and consultation process will now continue in line with the Council’s Organisational Change Protocol and Redundancy Procedure along with the requirements of the constitution regarding senior salaries posts. Appendix C gives details of the proposed timetable.
- 6.26 In effect, however, if the Executive approve the recommendations of this report, Senior Officers directly impacted will be formally put “At Risk”. Appointment Committees will be convened to complete any necessary selection processes to the Executive Director Designate (People Services) and Executive Director (Enabling & Resources), where there may be competition and to the Director of Organisational Development and Director of Place, Planning & Regeneration posts where there is only one internal candidate. The Director of Finance role is intentionally, to all intents and purposes, a direct match with the current Borough Treasurer role and the post holder would simply be slotted in. Any interview would take place in early June and the Employment Committee would then meet to officially agree any proposed redundancies.
- 6.27 New roles will be evaluated independently by Korn Ferry. Korn Ferry will also finalise the incremental steps within the senior pay grades in line with this report. Proposals to change the pay scales for senior staff will be presented to the June Employment Committee, with whom the responsibility for changes to terms and conditions rests. Full Council will then receive an amendment to the annual Pay Policy Statement to reflect the agreed changes. The performance policy for senior staff as it affects incremental progress would also be taken to the June Employment Committee to agree the detail.
- 6.28 It is proposed that we do not depart from the National Joint Council pay negotiations as these national pay negotiations consider any cost of living changes only and it would be too onerous for this to be undertaken at a local level.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 As set out in the body of the report the restructuring element of the recommendations will need to reflect the requirements of the Councils Organisational Change Protocol and Redundancy Procedure.

Borough Treasurer

- 7.2 The anticipated financial implications of the proposed changes are included in the body of the report.

Contact for further information

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Appendix A

Bracknell Forest Grade	Current Salary (Spinal Column) £000	Public, and Not-for-Profit Market, Base Salary, Nationwide £000		
		Upper Quartile	Median	Lower Quartile
S8	£148 - £160	£231	£165	£155
S7	£128 - £135	£157	£135	£116
S6	£106 - £115	£131	£113	£100
S5	£93 - £98	£109	£96	£85
S4	£87 - £93	£103	£88	£76
S3	£82 - £87	£88	£75	£66
S2	£76 - £82	£74	£65	£59
S1	£69 - £75	£63	£55	£49

Appendix B

Bracknell Forest Grade	Current Salary £000	Number of posts	Proposed Salary Change £000	Number of posts
S8	N/A		N/A	
S7	£127 - £135	-	£135 - £157	1
S6 *	£106 - £115	4.17	£113 - £131	1
S5	£93 - £98	1	£96 - £109	4
S4	£87 - £93	5	£88 - £103	6
S3	£82 - £87	5	No change	3
S2 #	£76 - £82	2	No change	1.5
S1	£69 - £75	2	No change	

* 0.17 fte pan Berkshire Director of Public Health

includes 0.5 fte Public Health Consultant

CHANGES AT SENIOR SALARIES LEVEL

Dates	Description
Complete	Chief Executive to brief Directors/postholders potentially at risk
Complete	Severance estimates provided to postholders likely to be at risk
Complete	Trade unions notified
Complete	Staff Consultation begun and extended
8 May	Executive consider proposals
9 May	Employees to receive "At Risk" letters (including right of appeal against being At Risk)
23 May tbc	Special Council meets to set up an Appointment Panels
25 May	Deadline for expressions of interest in new posts or requests for voluntary redundancy
w/c 4 June tbc	Appointments panel convene for any selection processes necessary. Employment Committee consider any redundancies and confirms pay changes
Day after Appointment Panel & Employment Committee meets	Selection process outcomes confirmed by letter for all affected staff and issue formal redundancy notices
w/c 11 June	Notify individuals of redundancies through standard letter, issue formal notice; confirm any other contractual changes. There will be some pay in lieu of remaining notice
1 September 2018	New structures/posts become live