


Non-Executive Report of the:  <b>General Purposes Committee</b>  14 September 2016	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Will Tuckley, Chief Executive	<b>Classification:</b> Unrestricted
<b>Organisation Structure</b>	

<b>Originating Officer(s)</b>	Stuart Young - HR, OD & Transformation Manager
<b>Wards affected</b>	All wards

## Summary

This report recommends that formal consultation commence on a revised organisational structure to direct the future shape of managerial leadership and Directorates. The report makes proposals for the senior leadership of the Council, the first two tiers – that is the Chief Executive, Directors and those reporting directly. Further reports will be brought for the remainder of the management tiers to rationalise reporting lines and posts as part of the medium term financial strategy.

## Recommendations

- a) Agree the organisation structure described at paragraphs 3.21-3.25 and the attached chart for release to formal consultation.
- b) Note that the formal consultation period will commence with effect from 19<sup>th</sup> September and end on 28<sup>th</sup> October to provide sufficient time for comprehensive staff and union engagement.
- c) Ask full Council on 21<sup>st</sup> September to consider a report amending Part 4.9 (Officer Employment Procedure Rules) of the Constitution so that the requirement to establish Sub Committees comprising relevant members for appointments and dismissals will only apply to Chief Officer posts. This will therefore enable the Chief Executive to appoint to Deputy Chief Officer posts in this restructure and to implement the new organisational structure, subject to significant changes being reported to the GP Committee. The proposed amendments are at Appendix 3
- d) Note that any consequential amendments required following changes agreed by full council under C above will be effected by the General Purposes Committee/Director of Law, Probit and Governance as appropriate, in accordance with Part 3.3.1 of the Constitution.
- e) Note that a series of enabling projects will be delivered as described at paragraph 3.28 and where required staffing decisions brought back to this Committee.

## 1. REASONS FOR THE DECISIONS

- 1.1 The attached organisation structure is proposed to best deliver the outcomes

and priorities of Members and the Mayor. In addition, the Medium Term Financial Strategy identifies a need to reduce budgets by £60 million over the coming three years. The proposals in this report commence a Council wide review of structures and will contribute by reducing the workforce paybill.

## **2. ALTERNATIVE OPTIONS**

- 2.1 The organisational structure could be left unchanged but this would not deliver the necessary benefits to deliver the Council's strategic priorities.

## **3. DETAILS OF REPORT**

- 3.1 The Mayor in Cabinet approved the Council's Strategic Plan which sets out the Council's priorities and objectives for the next three years.

The Strategic Plan sets out how Tower Hamlets will be:

- A Great Place to Live
- A Fair and Prosperous Community
- A Safe and Cohesive Community
- A Healthy and Supportive Community

- 3.2 In delivering this vision the Mayor has identified the following priorities:

- Creating opportunity by supporting aspiration and tackling poverty
- Creating and maintaining a vibrant, successful place
- A transformed council, making best use of resources and with an outward looking culture

- 3.3 The staffing structure needs to be fit to deliver the priorities and outcomes. The reason for bringing forward a report at this stage is because the priorities and operating environment of the Council have changed. It is appropriate therefore for Members to consider how best to decide on a revised staffing structure.

- 3.4 An organisational structure serves two purposes: to arrange functions in the most efficient manner to deliver resident outcomes; and to translate corporate priorities into operational services. Effective structures are accompanied by excellent service planning; performance management and staff development.

- 3.5 At Tower Hamlets our new structure will bring the following benefits:

- Align our managerial capacity to deliver Council priorities
- Better match our political and managerial leadership
- Improve our performance by collaborating on outcomes
- Reinforce a one Council approach with a can-do, open culture
- Deliver efficiencies and modernise our ways of working

- 3.6 At the same time challenges remain. The landscape of local government continues to change as public spending is further reduced. Our medium term

financial plan identifies a funding shortfall of £60 million over the next three years.

- 3.7 In response a set of transformation principles and activities were agreed by Cabinet on 5<sup>th</sup> April 2016 as part of the Strategic Plan. The principles are Better targeting –the right people at the right time; Re-design and integration for better outcomes; Empowering communities and citizens; Harnessing economic growth; Economies of organisation.
- 3.8 General Purposes Committee at the meeting in July 2016 adopted the following organisational design principles:
- 3.9 **Public Service** – we put the customer at the heart of all we do. We will organise services to encourage single points of customer contact. We will group services to make it easier for residents to transact with us.
- 3.10 **Performance** – a structure that better enables improvement by more closely assigning Council priorities to services. The alignment of political and managerial leadership is a key enabler to ensuring that high performance is sustained. Closer alignment to priorities will bring a collective sense of purpose and better facilitate partnership working. The structure will enable a positive One-Council, can-do culture.
- 3.11 **Accountability** – we will hold people to account at the right level of responsibility. We need to enable our middle managers to deliver, to be clear in what is expected of our services and hold our managers to account. Our future structure can encourage greater accountability by bringing clarity of function. Being accountable will form a tenet of the future working culture.
- 3.12 **Collaboration** – the structure should encourage a One-Council approach to working. We will enable work groups to form, do business and reform more rapidly. This agile way of working will bring refreshed pace and energy to delivery.
- 3.13 **Transparency** – The future structure will be clearly linked to delivering our priorities. The grouping of services and partnerships will be focussed and clearly arranged around delivery of priorities. Management will be more transparently accountable to Councillors as services and Member portfolios are better aligned.
- 3.14 **Efficiency** – current staffing costs will be benchmarked and reduced as the future organisation streamlines tiers and layers of management. The proposals will limit the number of layers from Chief Executive to point of delivery and recommend spans of managerial control.
- 3.15 The wider context for this restructure is the environment in which we will operate over the coming years. Our population is set to increase to an estimated 337,000 by 2020; our resident demographic suggests that demands on public services will increase; yet it is likely that public funding will reduce to the point where local authorities are no longer reliant on central grants. We

are fortunate to be the home of the most significant economic and physical growth in London. The growth and service delivery agenda need to be managed and coordinated across the Council so that residents benefit from our unique positioning in the Capital.

- 3.16 Members and Officers are working towards a confident, collegiate, outward facing culture. Encouraging Council wide working through cross cutting themes will enable joined up delivery of our priorities. In practice this means locating functions in the most appropriate formation and taking forward programmes of improvement. Flexibility in how we deploy senior staff is key to this new way of working. Directors and those that report to them need to be deployed on programmes of change and delivery of the day-job. Managing change successfully will be a core part of senior roles. It is proposed that functions work closely together across the council structure on commissioning, cohesion and the customer. These cross functional clusters will further encourage collaborative styles of working.
- 3.17 To enable the Council to manage demand for services and ensure community outcomes are realised we will need to collaborate with partners. In practice this means pulling together into one place the co-ordination of how we work with health, police, the community and voluntary sectors. Our strategy, research and policy making activity needs to be closely aligned to partnership working. There is sense in co locating these functions.
- 3.18 A stronger organisational core to support service design, delivery and partnership will bring added capacity for the Council to plan over a longer horizon. Moving the organisation from a largely reactive method of operation to one which is confident to look further ahead is critical to the design of services in a rapidly changing local government environment. Pooling of resource is also a method of maintaining capacity during period of budget constraint. The MTFS identifies significant budget reduction over the coming three years.
- 3.19 In summary the philosophy of the restructure is:
- Organise to deliver community and Council priority outcomes
  - Provide a strategic and policy capacity that enables greater partnership
  - Consolidate a strong set of core functions supporting services to deliver
  - Coordinate commissioning to make best use of resources
  - Create cross functional groupings on cohesion and the customer
- 3.20 The form of the Council should enable the functions it plans to deliver. The suggested groupings are:
- 3.21 A **Place Directorate** will bring together all our environmental and economic activity. It will enable a joined up approach to delivering a vibrant, successful place. Our Council priority of economic development/skills/employment will be led from this Directorate. The new Directorate will combine parts of the current CLC and D&R services. Economic growth, prosperity and housing are closely aligned and therefore housing needs, temporary accommodation and options will operate from the Place Directorate forming a client function to THH. This

grouping will enable a fresh look at the services THH manage on our behalf. Our asset management and delivery of major capital programmes will sit alongside delivering a great public realm. The Directorate will bring together Enforcement and Regulation functions to enable greater collaboration.

- 3.22 A **Children's Directorate** will continue to deliver education and social care to our young people. We will further develop our partnership with schools. In addition and to recognise the important contribution that youth activity and sports play in wellbeing, it will be responsible for Sports, Leisure and Culture. The Youth Service will be a part of the directorate formalising the arrangement of the past few months. Learning & Achievement will remain an important part of the Directorate. Children's social care commissioning will remain and will form part of a wider connected hub, co-ordinating how we shape and commission services. The directorate will deliver our aspiration for young people to realise their potential.
- 3.23 An **Adults Directorate** will deliver our intention for more people to live healthier and independently for longer. Adult social care will continue to be provided together with integrated health and the Public Health service. Community Safety and the DAAT will move into the Directorate joining up our adult wellbeing service offer. Public Health will continue to work in partnership across the Council and partners to deliver health outcomes. Adult social care commissioning will continue from the directorate and work with children's and place commissioners.
- 3.24 A **Resources Directorate** will deliver our priority to transform by making best use of resources with an outward looking, can do culture. Our programme of improvement will be coordinated in this directorate with a newly established Programme Management Office. The HR function will be refocused to also ensure that organisational change is embedded. The Directorate will take responsibility for putting the customer at the heart of our services by joining up the various channels used by residents to access services such as face to face principally through Idea Stores. Finance, IT, Revenues and Benefits will remain in the service to ensure that progress on Grants is maintained. Audit will continue to play a critical role in ensuring that organisational governance and standards are maintained. To retain their independence a dotted line functional reporting will remain to the Director.
- 3.25 A **Governance Directorate** will continue to provide the democratic, legal and communications functions. In addition, it will be a hub for equalities, policy and strategy activity working closely with Services to improve our Council wide policy making and research capacity. Partnership working will be led through the Directorate to bring together our capacity to work with others in delivering outcomes. Liaison with the voluntary and community sector will be led from this Directorate. Executive Support will be coordinated from the Directorate. Registrars will continue to be provided from this Service.
- 3.26 An organisation chart is attached at appendix 1.

3.27 It is proposed to adopt consistent naming conventions to better reflect the roles as described at appendix 2.

3.28 The timetable for delivering the restructure is:

<b>Date</b>	<b>Action</b>
July	GP Committee agree Org. Design Principles
August	Informal staff & trade union engagement
August/Sept.	Produce job profiles
14 <sup>th</sup> Sept	General Purposes Committee
19 <sup>th</sup> Sept	Formal consultation commences
28 <sup>th</sup> Oct	Formal consultation ends
Nov/Dec	Assimilation interviews/change management
1 <sup>st</sup> Jan	Go live with new structure
Jan-Mar	Redeployment and outplacement
31 <sup>st</sup> Mar	End of Notice period for leavers

3.29 The organisational changes will be implemented in phases with middle management and staffing changes enabled by projects as follow:

- A business support review – to identify and review support functions such as Finance, HR, IT, FM, Admin and Secretarial activities.
- A policy & strategy review – to create a coordinated research, policy, commissioning and strategy function
- An enabled manager programme – to restate the role of management and ensure that our systems, processes and development are appropriate for the future role of a local government manager.
- A review of managerial spans and layers – to assess the number of tiers in the Council and ensure our organisational design principles are applied.
- A refresh of the Council employee values – to engage staff in ways of working.

3.30 It is proposed that the Chief Executive be asked to implement the structure for the top three tiers, including staff appointments and only required to report back to the Committee if significant changes occur to the attached organisation chart as a result of consultation. The consequent change in constitution is attached at Appendix 3 for referral to full Council.

3.31 The Council's Organisational Change policy will apply. It is anticipated that the number of senior leadership posts will reduce by approximately 5/6. Formal staff consultation will include the method of assessment and assimilation of staff to the revised structure. Staffing changes will take place in the Autumn/Winter to be completed by March 2017.

3.32 Job profiles will be provided as part of the formal consultation, evaluated using the LGA job evaluation scheme. Directors will work to generic profiles to enable greater flexibility of deployment and cross Council collaboration.

#### **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 The Chief Finance Officer has been consulted in the preparation of this report. Based on the proposed structure there is an estimated on-going saving of £500k which will be included as part of the Council's Medium Term Financial Strategy proposals.
- 4.2 To the extent that there are additional one-off costs arising from the restructure proposals (e.g. redundancy and early retirement costs) these will be met from the existing severance reserve held by the Council.

#### **5. LEGAL COMMENTS**

- 5.1 The Interim Service Head for Legal has been consulted on the contents of this report. This report proposes to make changes to a number of senior management roles and will lead to the potential redundancy of some of these employees.
- 5.2 An employee is dismissed if the contract under which he or she is employed is terminated with or without notice (Employment Rights Act (ERA) 1996, section 95). Dismissal by reason of redundancy occurs where the requirements of the business for employees to carry out work of a particular kind has ceased or diminished (ERA 1996, section 139(b)(i)).
- 5.3 Redundancy is a potentially fair reason for dismissal under section 98(2)(c) of the ERA 1996. However, an employee can bring a claim for unfair dismissal in circumstances where suitable alternative employment is available and is not offered by the employer. A suitable alternative post is one that the employee has the qualifications and aptitude to do immediately, or will have in the near future with reasonable training. What constitutes suitable alternative employment may depend on how similar the work is to the previous role, the terms being offered, the pay, status and hours as well as the employee's skills, abilities and circumstances in relation to the job being offered. Consideration is not limited to what the employee's current role comprises, but would also include consideration of the employee's previous experience and skillset.
- 5.4 The Officer Employment Procedure Rules (OEPR) in Part 4.9 of the Constitution specify the Council's rules and procedures applying to both the appointment and dismissal of Chief Officers. These are relevant to the circumstances of both Chief and Deputy Chief Officers who are affected by this restructure. It is proposed that the Constitution be amended so that the OEPR only apply to Chief Officer posts. As a consequence of this, the Handling Organisational Change procedure will also require amendment so that it applies to Deputy Chief Officers if the OEPR no longer applies to them.
- 5.5 The current rules and procedures for appointing to Chief and Deputy Chief Officer post are set out in sections 5 and 6 of the OEPR

- 5.6 The rules and procedures for dismissing a Chief Officer are set out in section 9 of the OEPR
- 5.7 The employee has a right to appeal against a decision to dismiss. It would not be unreasonable to require any person being considered for a new Chief or Deputy Chief Officer role to be subject to an interview process to determine their suitability for the role. As set out above, the appointment process in the OEPR requires an interview. Further, an interview may be considered a fair method of testing the person's suitability for the role, which should support both the Council's obligation to appoint on merit in section 7 of the Local Government and Housing Act 1989 and the Council's obligations under the Equality Act 2010 not to discriminate and to promote equality of opportunity. It may also be relevant to take into account that this would not constitute a direct assimilation situation were the Handling Organisational Change procedure applicable.
- 5.8 The current post holder could be considered for the new roles in advance of any external recruitment process as an alternative to compulsory redundancy. Interview questions for the internal candidate would need to give some consideration as to what would constitute suitable alternative employment under the redeployment guidance (see below) taking into account the skills and experience of the current postholder who will be otherwise redundant following the deletion of their current post.
- 5.9 The Council's Handling Organisational Change procedure does not apply to Chief Officers (but may be applicable to deputy Chief Officers following the proposed amendment to the Constitution) but regard should nevertheless be had to normal custom and practice in respect of selection for redundancy and criteria for redeployment in respect of the Chief Officer post changes. The Council has also published Redeployment Guidance, which is intended to apply to the Chief Officer posts covered by this report (subject to confirmation into post in the way set out in the Officer Employment Procedure Rules if the alternative role is at the level covered by the Rules).
- 5.10 The Redeployment Guidance provides that an employee who is issued with notice of redundancy as a result of a restructure will be asked to complete an employee profile. This will include details of the person's knowledge, skills and experience together with any relevant qualifications. This pro forma will be used to consider redeployees against vacant posts which may offer suitable alternative employment. There is no reason why this should not be applied to potentially redundant Chief and Deputy Chief Officers and the information provided may be used when considering suitability for other posts.
- 5.11 Redeployed staff should normally be offered a post on the same grade, but if the only suitable alternative is a lower graded post, the employee's pay should be protected at the level of the spinal column point applicable to them at the end of the previous job for two years. Salary protection will not exceed two grades. Given that salary protection is offered in the Council's Redeployment Guidance, then this should be offered if Chief or Deputy Chief officers are assimilated into one of the new posts and it is at a lower grade than the



current role. If an employee unreasonably refuses an offer of suitable alternative employment they would not be entitled to a redundancy payment (ERA 1996, section 141(4)).

- 5.12 When carrying out the reorganisation, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). It must take care not to discriminate or otherwise act unlawfully within the meaning of the Equality Act. A proportionate level of equality analysis is required in order to discharge the Council's duties and reference is made to this in the report.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 The organisational design principles set out in this report will support the One Tower Hamlets objectives.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 The proposals will add value to the efficiency and effectiveness of the Council. The future staffing organisation will contribute to each of the Best Value Action Plan areas.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 There are no direct SAGE implications arising from this report.

## **9. RISK MANAGEMENT IMPLICATIONS**

- 9.1 The proposals to be brought forward on staffing will provide a secure foundation for the delivery of the Council's main plans and strategies therefore reducing risk of not realising our planned resident outcomes.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 10.1 There are no direct Crime and Disorder implications arising from this report.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- Organisation chart

- Summary of roles by tier
- Proposed constitutional changes for full Council

**Officer contact details for documents:**

- N/A