

**ANGUS COUNCIL**

**ANGUS COUNCIL – 27 OCTOBER 2016**

**SENIOR MANAGEMENT STRUCTURE – POST OF CHIEF EXECUTIVE**

**JOINT REPORT BY HEAD OF CORPORATE IMPROVEMENT & FINANCE, HEAD OF LEGAL & DEMOCRATIC SERVICES AND HEAD OF HR, IT AND OD**

**ABSTRACT**

This report sets out options for the future development of the council's executive management structure following the decision of an Executive Sub-Committee of the Policy and Resources Committee to agree the early retirement of the current post holder with effect from 31 May 2017.

**1. RECOMMENDATION(S)**

It is recommended that the Council:

- (i) Note the contents of this report;
- (ii) Considers the options proposed in section 5 of the report;
- (iii) Notes the potential financial and non-financial benefits from adoption of option 2 as set out in sections 5 & 6 of the report; and
- (iv) Approves the proposals in section 6 as the preferred recruitment process.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

As this report relates to the executive management arrangements of the council as a whole it contributes to all local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

**3. BACKGROUND**

The Chief Executive has requested voluntary early retirement with effect from 31 May 2017. In accordance with the standing arrangements for Chief Officers the application was considered by an Executive Sub-Committee of the Policy and Resources Committee on 11 October 2016. The application was agreed on the basis of zero cost to the council with the Chief Executive being granted access to an actuarially reduced pension with no added years, redundancy or other severance payment being made.

The council must now determine the arrangements it wishes to put in place for the appointment of a successor to the Chief Executive. It should be noted that this retirement opens the possibility of further development of the council's executive management arrangements including a possible reduction in the size of the executive team from four to three posts. This paper sets out the options for recruitment that might be considered.

**4. CURRENT POSITION**

Angus Council has made considerable improvements over the last few years. Evidence of this is well documented in the council's Transforming Angus programme, our Annual Reports, the 2016 Best Value Review and the 2016 Joint Inspection of Children's Services. However, it is clear that an increased focus on change and in particular the pace of change is needed to respond to the challenges facing the council in the years ahead.

External scrutiny has highlighted that the current managerial changes are delivering effectively. This being so it is recommended that the three current Strategic Directors continue to work as a collaborative team within the fundamental “people and place” model that has been developed to ensure continuity and focus on current programmes rather than divert attention and energy towards further significant structural redesign impacting on the organisation as a whole. This approach would build on current progress and maintain a focus on delivery to further improve the outcomes with and for the people of Angus.

## 5. OPTIONS FOR CONSIDERATION

In response to the retirement of the Chief Executive there are a number of options that might be considered.

### Option 1 – External Recruitment of a Chief Executive & No Change to Top Tier Posts

The status quo solution would be the recruitment of a new Chief Executive on a like for like basis maintaining an executive team of four. This approach offers stability through the continuation of the current managerial arrangements. The recruitment would be open to internal and external candidates.. Under this option, if an internal candidate were successful, there would be an expectation that the post vacated by the successful candidate would be filled.

An external recruitment process would give rise to the requirement for national advertising of the vacancy. The status quo option removes the possibility of refinements in the management structure to reflect public spending efficiency and a saving arising from that change at least in the short term.

External recruitment and a reduction in top tier posts (from 4 to 3) could also be pursued as a variation to this option but would increase the risk of redundancy and severance costs arising.

### Option 2 – Internal Appointment Restricted to Current Strategic Directors & Reduction in Top Tier Posts from four to three

An alternative arrangement would be to restrict recruitment to existing strategic directors in order to achieve a cost saving with the expectation of a revised executive management structure being implemented during the course of 2017. The expectation would be that the revised top level management team would reduce from four to three and be predicated on a realignment of the three current executive portfolios. This proposal does mean a restricted pool of candidates to choose from but would be the simplest and quickest route to enable savings from the current structure.

It should also be noted that if no suitable candidate was selected from this process, external recruitment would then be undertaken,.

### Option 3 - Internal Appointment Open to Strategic Directors and Current Heads of Service & Reduction in Top Tier Posts from four to three

A further alternative would be to open recruitment to the second tier Heads of Service posts in addition to the Strategic Directors.

If members feel that option 2 with a potential “pool” of three applicants is insufficient competition opening the competition would potentially extend the pool for a suitable candidate without incurring the additional costs of external recruitment. This option would potentially require a deeper restructure depending on the outcome and if there remained a desire to achieve savings from reducing the top level management team for four to three could involve a potential redundancy situation and significant severance costs if a Head of Service was the successful candidate.

### Option 4 – No Chief Executive

Legislation requires the council to appoint a Head of Paid Service, but not a Chief Executive as such, although this is the standard arrangement across Scotland’s councils. In this option

the formal role of Chief Executive would be removed from the structure with the post holder's duties being allocated to the most relevant Strategic Director. The statutory role of Head of Paid Service could be allocated to one director on a permanent or rotating basis. In either scenario an increase in the remuneration of all three Strategic Directors would be needed to recognise additional duties and responsibilities.

This option, although saving the bulk of the Chief Executive's salary, almost certainly gives rise to inherent instability in the case of rotation and uncertainty in the minds of elected members, external partners, including government and other councils, and the Angus community as to the overall leadership accountability within the council. Angus would be the first and at present the only Scottish council to adopt this approach.

#### Option 5 – Share a Chief Executive

As yet no council in Scotland has elected to share a Chief Executive with another council or organisation. A very small number of district councils in England have embarked on this course of action. This approach might require some time to negotiate and is unlikely to maintain the impetus on local leadership that the council requires in its operating environment.

## **6. PROPOSALS**

In order to assess the options, it is considered that some parameters are set. The concept of two major portfolios linked to "People" and "Place" has served Angus Council well and it is proposed that this general concept should be reflected in any new structure. The exact nature of any restructure following upon the appointment would require to consider the location of the central support services currently contained within the Resources Directorate. It is considered that this should be a matter for discussion following upon the appointment of the new Chief Executive. Subject to the above, the following proposals are offered:-

- i) The retirement of the Chief Executive in 2017 presents the opportunity to achieve a significant saving in management costs which could be taken into account in the 2017/18 budget setting and it is recommended that this opportunity should be taken and the post should not be replaced in terms of option 1 above on a like for like basis.
- ii) Option 2 above is recommended to the council. Given the strengths of the current executive team, the opportunity to maintain stability in challenging times, the relatively high costs of a full external recruitment and the ability under this option to make immediate savings in the 2017/18 budget, it is proposed that an internal process, supported by an external adviser, is undertaken to appoint a Chief Executive from within the executive team and that thereafter the new Chief Executive should engage with elected members to determine the future shape of the council's executive management arrangements predicated on a reduction in the number of posts in the executive team from four to three. This option also negates the risk of significant severance costs being incurred in moving from four top posts to three.
- iii) It is recommended that the internal selection process is initiated as soon as possible to facilitate an appropriate transition period prior to the departure of the current post holder.

## **7. FINANCIAL IMPLICATIONS**

The salary of the Chief Executive is set nationally and is currently £127,391. With national insurance and pension costs included the cost of the post for budget purposes rises to approximately £165,500 p.a. It is not proposed to move away from this arrangement. A move to a three person executive team with a Chief Executive supported by two Strategic Director or Depute Chief Executive roles would most likely need to recognise the extension of the current portfolios and may require consideration of further restructuring below those posts. In order to enable the new Chief Executive to implement a restructure of the portfolios, it is recommended that a further report will be considered early in the term of the new council. For the purposes of outlining the financial implications below it has been assumed that no changes to grades for any chief officer posts would arise from the implementation of option 2.

The streamlining of the Executive Management Team from four to three posts would deliver financial savings to the council. The potential scale of these savings is indicated below.

<b>Current Structure</b>	Annual Salary including on-costs (£)	
Chief Executive (CO60)	165,508	
3 Strategic Directors (CO49)	419,037	
<b>Total</b>		<b>£584,545</b>
<b>Possible New Structure</b>		
Chief Executive (CO60)	165,508	
2 Strategic Directors/Depute Chief Executives (CO49)	279,358	
<b>Total</b>		<b>£444,866</b>
<b>Indicative Annual Saving assuming no restructure below Strategic Director level</b>		<b>£139,679</b>

If members were minded to go with Option 1 and undertake a full external recruitment process the cost of advertising could be around £8 - £10K. If Option 3 were chosen there could be significant severance costs depending on the outcome and who was appointed. The value of severance costs would depend on individual circumstances.

## 8. CONSULTATION

Due to the nature of this report and the possible interested parties, no further consultation has been carried out.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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