



# ORGANISATIONAL ASSESSMENT BEST VALUE REVIEW SUB-COMMITTEE

## *Committee Report*

**Public**

**Date of Meeting:** 22 MARCH 2002

**Title:** ORGANISATIONAL REVIEW: PROPOSED OPTIONS

**Report of:** TOWN CLERK AND CHIEF EXECUTIVE

**Report reference:** TC. 62/02

**Summary:**

This report details the options proposed by HACAS Chapman Hendy for the future officer structure. It is for the Sub-Committee's consideration prior to consultation and the preparation of more detailed proposals.

**Recommendations:**

The Sub-Committee is requested to:

- (i) receive the report on proposed organisational options from HACAS Chapman Hendy
- (ii) indicate the preferred option(s) for consultation with staff, trades unions and Members and for the development of further detailed proposals.

**Contact Officer:** Peter Stybelski

**Ext:** 7001

## 1. **Context**

- 1.1 The Sub-Committee will be aware that the Council is facing a period of great change. Potential LSVT and Leisuretime Externalisation, coupled with increasing regional and central government demands mean that the Council must reform its management and organisational arrangements in order to continue to meet customer and community requirements. It is also vitally important that the Council acts decisively to deal with issues raised in the HACAS Chapman Hendy Scoping Report, which it commissioned as the first step to improvement. Many of the issues raised go right to the heart of how the Authority deals with customers, strategy, corporate working and the management culture. The rate of change is such that incremental change is inappropriate and the Council will need to adopt step change to drive improvement.
- 1.2 Members will be aware that this is not just an issue for Carlisle City Council but is part of a process affecting local government as a whole. Members will also have noted from the 'compare' reports that other authorities are facing similar challenges. In view of this HACAS Chapman Hendy have been asked to look fundamentally at the Council and propose options for its future management structure. This is to ensure that the good work undertaken by the Council over many years can be continued whilst at the same time providing a flexible framework to manage change and to maximise the potential of the excellent staff within the authority in delivering customer focussed, quality services to local people.

## 2. **Background**

- 2.1 Members will be aware that the Organisational Assessment is being undertaken as a Best Value project by the Sub-Committee. The work thus far has included the preparation of a scoping report, preceded by widespread consultation with staff, Members and partners. The Scoping Report highlighted the challenges facing the Authority and the Overview & Scrutiny Management Committee prioritised these challenges into four priority areas:

- Strategic
- Management and Organisational
- Cultural
- Financial

2.2 Report A1 (TC53/02) on 11 March gave an update on the significant progress being made in the above areas and this report is concerned with the options for the future management and organisation of the Council.

2.3 To inform this report the Sub-Committee has undertaken extensive consultation with other local authorities and by way of a report from the District Auditor and further detailed report from HACAS Chapman Hendy considered at the last meeting of the Sub-Committee. The on-going process of consultation is also being aided by a series of questions to officers and Members, posed by the consultants, the responses to which will inform the organisational response.

### 3. **Proposals for Consultation**

3.1 At the meeting the consultant Gerald Davies from HACAS Chapman Hendy will give a presentation on the proposed options for the future officer structure of the Authority for consideration by the Sub-Committee prior to consultation with staff, trade unions and other Members of the Council. The consultant's report is appended.

3.2 It is also planned for the consultant's report and the Sub-Committee's recommendations to be considered at the meeting of the Council's Executive on 25 March for endorsement prior to the commencement of formal consultation. Following this, there will be a period of consultation until 30 April 2002 and a further report will be made to the Sub-Committee on 31 May 2002 with detailed proposals made in the light of consultation. Following receipt of detailed proposals a further formal period of consultation will commence.

### 4. **Recommendations**

4.1 The Sub-Committee is requested to:

- (i) receive the report on proposed organisational options from HACAS Chapman Hendy
- (ii) indicate the preferred option(s) for consultation with staff, trade unions and Members and for the development of further detailed proposals.

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**CARLISLE CITY COUNCIL**  
**CORPORATE ORGANISATIONAL**  
**BEST VALUE REVIEW**  
**PROPOSED ORGANISATIONAL OPTIONS**  
**March 2002**

## **1. Preamble**

1.1 This is the fourth report prepared as part of the Corporate Organisation Best Value Review. The previous three were

- “The Scoping Report” (January 2002)
- “Proposed List of Councils for the Compare Stage” (February 2002)
- “The Compare Report” (March 2002)

## **2. Recommendations**

2.1 That the authority should maintain the function of Chief Executive on a freestanding basis. It would seem that the advantages and disadvantages of having certain core strategic functions directly answerable to the Chief Executive are reasonably even but on balance we recommend that certain core strategic functions should be at the heart of the organisation and therefore under his direct aegis.

2.2 That the authority should introduce a strategic layer into its organisation, placed immediately below the Chief Executive and responsible for strategic development, the co-ordination of operational services and the attention necessary to address the improvement agenda.

2.3 That the services should be lead by heads of service who are primarily responsible for their day-to-day operation but are also expected to be able to contribute to the development and implementation of corporate working.

2.4 That the decision on how the coordinational approach to regeneration be handled within the Councils new structures be informed by the work being undertaken in the Regeneration Best Value Review within the Key Principals set out in this report.

2.5 That these corporate support service functions be grouped together under coordinational management at the strategic level.

2.5 That there should be established a service within the Council which will be responsible for championing, co-ordinating and as appropriate executing high standards of customer contact services for both internal and external customers and that this should embrace the implementation of e-government.

2.6 That there should be a central coordinated strategic core under the aegis of a senior manager reporting to the Chief Executive incorporating the following functions:

Audit; best value; communications; members' services; performance; policy and strategy; procurement; risk management; major change and project coordination.

2.7 That there should be no direct linkages established between specific Executive portfolio holders and particular senior managers and all posts should support both the Executive and the Overview and Scrutiny processes.

2.8 That a centralised procurement function be established as part of the new strategic core of the organisation.

2.9 That as part of the duties of one of the managers at the strategic coordinational level would be to be available to the Overview and Scrutiny Committees as a corporate resource when necessary as to ensure that there is a coordinated response to their requirements.

2.10 That the need for provision for performance management and Best Value should be incorporated within the proposed strategic services core.

2.11 That there should be a corporate strategic approach to the delivery of major change and large-scale projects and that this should be a function of the proposed strategic services core of the new organisational structure.

2.12 That, subject to consultation, the "strategic/coordinational " model be adopted as the primary basis for the Council's new organisational structure founded upon a strategically based managerial top tier of two strategic directors with a developmental and coordinational role and that the day to day operational responsibility be vested in the heads of service tier.

### **3. Background**

3.1 The background to this report is contained in:

- The Scoping Report (January 2002)
- The Compare Report (March 2002)
- The Chief Executive's Report on the Organisational Review to the Executive (March 2002)

### **4. Key Principal Issues**

4.1 Before consideration can be given to the various structure options for the Authority a number of issues required examination and these are contained in a list of questions which has been circulated by the Chief Executive to Council Members, the Council's Senior Managers and made available to employees through the Council's intranet. They have also been considered by the three party group leaders and by the Overview and Scrutiny Organisational Assessment Best Value Review Sub-Committee members meeting in an informal workshop session.

The proposals set out herein however, are those of HACAS Chapman Hendy and have been informed by the initial views conveyed already in response to the list of questions. They will be further subject to the consultation, which will take place in the next stage and those responses to the questions yet to be received will be fully taken into account.

4.2 A large number of responses to those questions have been received and considered by us and these have been taken into account in formulating our proposals in relation to these principal issues, which are set out below:

**a) The role of the Chief Executive – should he have a departmental function, or be freestanding, or be freestanding with core strategic support?**

4.3 Legislation requires local authorities to have a “Head of Paid Service” – there being no requirement to have a Chief Executive. Virtually all local authorities in England including the entire “compare” list of authorities have a Chief Executive who is also the Head of Paid Service (in one case, Gloucester, this position was entitled Managing Director).

Practice elsewhere shows that Councils are increasingly adopting structures whereby their Chief Executives do not have departmental responsibilities but are “freestanding” and therefore able to focus their attention wholly upon the management and strategies of the authority as a corporate whole.

In some cases this freestanding approach includes the direct support of certain core strategic functions eg. policy and performance.

**We recommend**

4.4 That the authority should maintain the function of Chief Executive on a freestanding basis. It seems to us that the advantages and disadvantages of having certain core strategic functions directly answerable to the Chief executive are reasonably even but on balance we recommend that certain core strategic functions should be at the heart of the organisation and therefore under his direct aegis.

**b) Whether there should be a strategic layer in the organisation.**

4.5 Both the need to develop medium to long-term corporate strategies and also the capacity to strategically develop and manage the authority were identified in the “Scoping Report” as issues the organisation must address

4.6 Furthermore the examination of the information from the “Compare” authorities shows that they had predominantly introduced a strategic management layer to their organisations.

4.7 Primarily the role for such a layer is to play a major part in the development of strategies, to co-ordinate the implementation of those strategies and to ensure that any deficiencies are addressed. It would not be the responsibility of those managers to handle the day-to-day operational matters as they should take an overview in a non-partisan manner and take into account the Council’s interests as a whole

4.8 Where such a tier has been introduced there is a choice towards there being three posts or two posts (ratio of 6:3) however after taking into account both the size and complexity of Carlisle and also affordability we do not find there to be a compelling argument in favour of the higher figure.

**We recommend**

4.9 That the authority should introduce a strategic layer into its organisation, placed immediately below the Chief Executive and responsible for strategic development, the co-ordination of operational services and the attention necessary to address the improvement agenda.

### **c) The role of Heads of Services**

4.10 Whilst not specifically an issue within the "Scoping Report", it does relate to both work load capacity and managerial leadership

4.11 From the introduction of a strategic layer within the organisation, it follows that the Heads of Service should have the full day-to-day operational responsibility for the delivery of identifiable services utilizing their professional expertise and knowledge to take those services forward. The practice elsewhere mirrors this approach with the additional emphasis that these posts should also be able to contribute to corporate working.

#### **We recommend**

4.12 That the services should be lead by heads of service who are primarily responsible for their day-to-day operation but are also expected to be able to contribute to the development and implementation of corporate working.

### **d) The delivery of a coordinational approach to regeneration**

4.13 This was identified as a major issue in the "Scoping Report" and has also been identified by the Best Value inspector in her report on Economic Development in which it was stated that the lack of a corporate approach to regeneration was holding back the economic development of the more deprived areas of Carlisle.

The issues here are:

- Should there be a single coordinational set up within the structure or should this be left to an officer team at present?
- Should there be a head of service with this responsibility?
- Should there be a head of service that has the leading role but under the coordinational direction of the strategic director who would ensure the melding of the various elements according to the nature of the regeneration required.

4.14 It should be noted that there is currently a Best Value review being undertaken into this subject and that the Council has recently appointed consultants to advise the authority on this review. Whilst it would be wrong to prejudge the work upon this review its outcome will need to accord with the Key Principals examined herein.

#### **We recommend**

4.15 That the decision on how the coordinational approach to regeneration be handled within the Councils new structures be informed by the work being undertaken in the Regeneration Best Value Review within the Key Principals set out in this report.



**e) Whether corporate support functions should be grouped**

4.16 Corporate support functions include:

- Information Technology
- Personnel
- Legal
- Accountancy and other financial services
- Training
- Organisational development
- Democratic services
- Payroll

4.17 The practice in most of the “compare” authorities is that these are grouped together for effective management and coordination.

**We recommend**

4.18 That these corporate support service functions be grouped together under coordinational management at the strategic level.

**f) Whether there should be a customer focus function**

4.19 The handling of customers is widely acknowledged as a significant practical issue for improvement within the Council. This is not to say that people are necessarily poorly dealt with but rather that the emphasis, particularly at the Civic Centre, is departmentally focused rather than customer based.

4.20 This was identified as a major issue in the “Scoping Report” and is currently the subject of a Best Value Review into Customer Contract.

The primary issue for the purposes of this report is to whether there should be an officer champion for ensuring the integration of the complex requirements embodied in customer contract or that, as at present, it should be left to each individual service.

4.21 If this approach was to be adopted the organisation would need to guard against a tendency to regard the subject / responsibility as being primarily left to that manager.

4.22 Whilst, as with the question regarding the coordination of regeneration, the final decision on this issue needs to be informed by the work on the customer contact Best Value Review – the indications are that the review will probably be recommending a single point of contact for external customers and therefore this is taken account of in our recommendation. Furthermore, there is a need to ensure that the needs of the internal customer are also accounted for.

**We recommend**

4.23 That there should be established a service within the Council which will be responsible for championing, co-ordinating and as appropriate executing high standards of customer contact services for both internal and external customers and that this should embrace the implementation of e-government.

**g) Whether there should be a strategic core to the organisation**

4.24 The need for a strong strategic capacity within the Council was seen in the "Scoping Report" as an important issue for the future. To a significant extend some of the issues already dealt with in this report have covered this matter (the need for a strategic layer and the role of the heads of service).

4.25 However, experience elsewhere has shown that much is to be gained by bringing together the core strategic functions under a single senior manager towards providing a strong centre to the organisation. This is not just a question of economics of scale but also that the coordination of functions will strengthen the authority's ability to handle major cross authority issues.

4.26 What such a strategic core should constitute is a matter of debate but the following are suggestions:

- Policy
- Project Coordination
- Members' Services
- Performance
- Communications
- Procurement
- Best Value

4.27 In addition consideration has to be given to whether or not the Audit Section needs to remain located within the direct ambit of the Section 151 Officer post or should become part of the strategic central core.

4.28 Evidence from elsewhere is increasingly showing that it is best practice to regard the role of a Council's internal audit as being to be a vital element of the process of achieving improvement in both performance and Best Value.

4.29 Responsibility for delivering performance management ultimately should rest with the Chief Executive, as this is the only way to drive it forward across the whole organisation. It therefore follows that in order to realise the highest level of coordination, the audit function should be part of the strategic core whilst still being available to the Section 151 Officer.

**We recommend**

4.30 That there should be a central coordinated strategic core under the aegis of a senior manager reporting to the Chief Executive incorporating the following functions:

Audit; best value; communications; members' services; performance; policy and strategy; procurement; risk management; major change and project coordination.

**h) Whether there should be a direct relationship between specific cabinet (executive) portfolio holders and a particular senior manager**

4.31 Historically, local government was based upon a system whereby departments were formed for the administration of council services and specific committees were appointed from amongst the elected members to decide policies and generally oversee particular departments. It was usual for

the Chairs of those committees to have a close working relationship with the departmental head, usually referred to as the "Chief Officer". Such a system has prevailed for many decades and it is only the introduction of the new political management that has brought the potential for a different way of working.

4.32 With the adoption of the leader and cabinet (executive) system in Carlisle last September, this traditional framework has changed fundamentally with the portfolio holders no longer having a specific single Director with whom they related but that their offices being themed meant that for the pursuance of their political brief they have dealt with more than one of the Council's Directors.

4.33 One of the principal criticisms made during the "diagnostic" work for the Scoping Report as the first stage of this Best Value Review was that the current departmental structure has led to a position whereby the departments needs are seen as paramount and the corporate perspective is not as strongly taken into account.

4.34 This has already been acknowledged by the acceptance of the findings of the Scoping Report by both the Overview and Scrutiny Organisational Assessment Sub-Committee and the Council's Executive. It has also been recognised that a contributing factor for this situation was the existence previously of the strong departmental >> Chief Officer >> Chairman >> committee relationship.

4.35 Thus, even under a radically different structure, there is concern that the re-introduction of this linkage could cause a re-emergence of this non-corporate approach, which would potentially undermine all the other measures now being undertaken to change the culture and style of the City Council.

4.36 In addition, the Council's constitution, adopted last year, allows for the Leader of the Council to decide upon the portfolio holder's roles. This would mean, potentially that each time the Leader made changes to the role and brief of the portfolios there would have to be consequential change to the Council's administrative and organisational set-up.

### **We recommend**

4.37 That there should be no direct linkages established between specific Executive portfolio holders and particular senior managers and all posts should support both the Executive and the Overview and Scrutiny processes.

#### **i) How should procurement be handled**

4.38 Local authorities are big purchasers of both goods and services and this has been recognised by the Audit Commission whose Best Value Inspectorate are increasingly undertaking inspections of local authorities specifically to review the way procurement is carried out.

4.39 In order to advise both Government and local authorities on how this issue is best tackled, the Government appointed the Byatt Commission to examine the issues. In summary they recommended that councils should have a strategic approach to procurement, giving it a much higher profile and make it more strongly staffed. This includes the procurement function being the responsibility of a senior officer and part of the remit of a member.

4.40 The adoption of such an approach in Carlisle would strengthen the "client" service role in that they would benefit from centralised expertise and a high-level knowledge of the UK/UE legislative regime; proprietary issues and commercial awareness.

**We recommend**

4.41 That a centralised procurement function be established as part of the new strategic core of the organisation.

**j) Provision for Overview and Scrutiny**

4.42 The Council already has in place interim arrangements for supporting this function, which are seen to be working well, and it is proposed that these arrangements are continued in the new structure.

4.43 In relation to whether or not there should be a specific linkage(s) to the organisational structure there is as yet only minimal experience to draw upon within local government in general.

4.44 The practical evidence from Carlisle so far has been that such a linkage is not necessary but that access to a specific senior manager by the Overview and Scrutiny Committees should be provided as a failsafe resource.

**We recommend**

4.45 That as part of the duties of one of the managers at the strategic coordinational level would be to be available to the Overview and Scrutiny Committees as a corporate resource when necessary so as to ensure that there is a coordinated response to their requirements.

**k) Tackling Best Value and Performances**

4.46 A performance driven culture which aims to continuously improve to achieve best value is clearly the requirement of the Government upon local authorities and a very reasonable expectation of their consumers.

4.47 Whilst performance management, of which Best Value is an element, must be an integral part of the skill of every manager, the authority will need to retain and develop the provision already made to centrally co-ordinate and drive the process forward.

**We recommend**

4.48 That the need for provision for performance management and Best Value should be incorporated within the proposed strategic service core.

**l) Addressing the issues of project management and co-ordination**

4.49 This was a major issue identified in the "Scoping" Report and proposals have already been agreed by the Executive upon recommendation of the Overview and Scrutiny Organisational Assessment Best Value Review Sub-Committee that the Council when seeking to initiate further large-scale changes or projects should address the resourcing issues.

4.50 Beyond that, there needs to be put in place at the centre of the organisation, a resource which will ensure that there is a corporate approach to the coordination of such projects.

**We recommend**

4.51 That there should be a corporate strategic approach to the delivery of major change and large-scale projects and that this should be a function of the proposed strategic services core of the new organisational structure.

## **5. Options for the new organisational structures**

5.1 This part of the report takes into account the **Principal Issues** examined in part 4 above

5.2 Consideration has been given to the various alternative options which are:

- a) Enhancing or amending the current departmental structure;
- b) Area Based Management
- c) "Flat" management
- d) Thematically based
- e) Strategic/coordinational

These are examined in turn:

- a) Enhancing or amending the current departmental structure:  
(Current Carlisle structure shown in Chart 1)**

5.3 It has widely been accepted that many of the current difficulties faced by the Council and set out in the "Scoping" Report have at their foundation the current structure.

5.4 Furthermore, the Organisational/Assessment Best Value Review Sub-committee and the Executive have made a decision, in the light of that report and the response to it by the Sub-Committee, that the removal of the current departmental management structure and the change to a strategically based managerial top tier should occur.

**Accordingly, this option is not considered further.**

- b) Area Based Management (Chart 2)**

5.5 The issue of area based working in relation to the new structure was one of the questions for consideration upon which views have been sought.

5.6 A small number of authorities have introduced very developed area based structures and one of these (South Somerset) was included in the list of compare authorities. These tend to be council's where there is no particular focal point.

### **Advantages**

- Should ensure a coordinated approach to local area issues.
- Should avoid an uneven distribution of resources.
- Enables a cross authority perspective.

### **Disadvantages**

- Potentially very costly.
- Could work against the integration of rural and urban services.
- Would be very disruptive to implement.
- The Carlisle geography does not lend itself to such an approach.
- Would only suit certain services.

### **Our view**

**That this option be discounted.**

### **c) “Flat” Management Structure (Chart 3)**

5.7 The concept here is that the minimising of the tiers of management between the executive managerial layer and the operational managerial layer ensures smoothness of operation and clarity of communications. This basis approach was very much the vogue in management in the 80's and 90's. The benefits sought are, however, able to be incorporated into other forms of organisational structures.

### **Advantages**

- Low cost.
- Good communication.
- Simplified bases of responsibility and accountability.

### **Disadvantages**

- Apart from the Chief Executive no managerial resource to develop the authority strategically.
- Co-ordination of services rests entirely with the Chief Executive.
- Reduces the managerial capacity of the organisation.
- Very large and probably managerially untenable span of control.

### **Our view**

**That this option will not assist the authority in addressing the issues within the “Scoping” Report and should therefore be discounted.**

#### **d) Thematically based (Chart 4)**

5.8 The foundation for this concept lies in:

- (i) the accepted criticism that the authority could improve its approach to cross-cutting issues; and
- (ii) the thematic approach incorporated in the brief of the current Executive portfolio and the function of the standing Overview and Scrutiny Committees.

##### **Advantages**

- Enables a more across authority perspective (at least within the themes) but this can be achieved in other ways too.
- Would produce significant additional strategic managerial capacity.

##### **Disadvantages**

- If the themes are the same as adopted for the Overview and Scrutiny Committees then that would probably mean having to have three strategic managers or some separate clustering of heads of service.
- Could be seen as being set up to be in concert with, rather than contemporary, to the political structures and therefore implicitly contradictory to the view expressed in 4 (h) above.
- The thematic priorities of the Council will change from time to time and this sort of structure could become a self-determining strait jacket.

##### **Our view**

**That, whilst such an approach has merits, it has in-built inflexibilities and could become detrimental in the long-term. It should therefore, be discounted.**

#### **e) Strategic/Coordinational (Chart 5)**

5.9 This style of structure is largely founded upon a strong professionally organised functional approach whilst ensuring that the needs of the Council's customers have an appropriate focus both externally and internally.

5.10 It is also the basis which lends itself best to the incorporation of the key principal issues as recommended in part 4 of this report.

##### **Advantages**

- Potentially clear lines of responsibility and accountability.
- Would produce significantly additional strategic managerial capacity.

- Facilitates across authority coordinational approach whilst retaining a strong functional basis.
- Should ensure reasonable flexibility to adjust to the demands and priorities of the Council overtime.

### **Disadvantages**

- Actual lines of responsibility and accountability could be imprecise and would require spelling out.

### **Our view**

**That this provides the foremost basis for addressing the issues identified as requiring attention by the authority as set out in the “Scoping” Report already adopted by the City Council.**

5.11 As to how this proposal should be finally put together will need to be considered in the light of the consultation feedback during the next phased of this process.

5.12 For the purposes of discussion we have included our proposals of the make up of the service units and also on how these may be grouped.

5.13 One of the options within this framework is whether the proposed core strategic services should come under the direct aegis of the Chief Executive or be included within the ambit of the proposed Corporate Support Coordinational Grouping.

5.14 We are also currently carrying out reviews of:  
administration;  
design services; and  
the DSO

and these will all be completed in time to be incorporated into our final findings and recommendations after the consultation period has ended.

5.15 This report does not include any financial implications as the proposed changes will be kept within the current costs and the full details will be included in the final report.

### **We recommend**

5.16 That, subject to consultation, the “strategic/coordinational “ model be adopted as the primary basis for the Council’s new organisational structure founded upon a strategically based managerial top tier based upon two strategic directors with a developmental and coordinational role and that the day to day operational responsibility be vested in the heads of service tier.

## **FOR DECISION**

**HACAS Chapman Hendy  
March 2002**

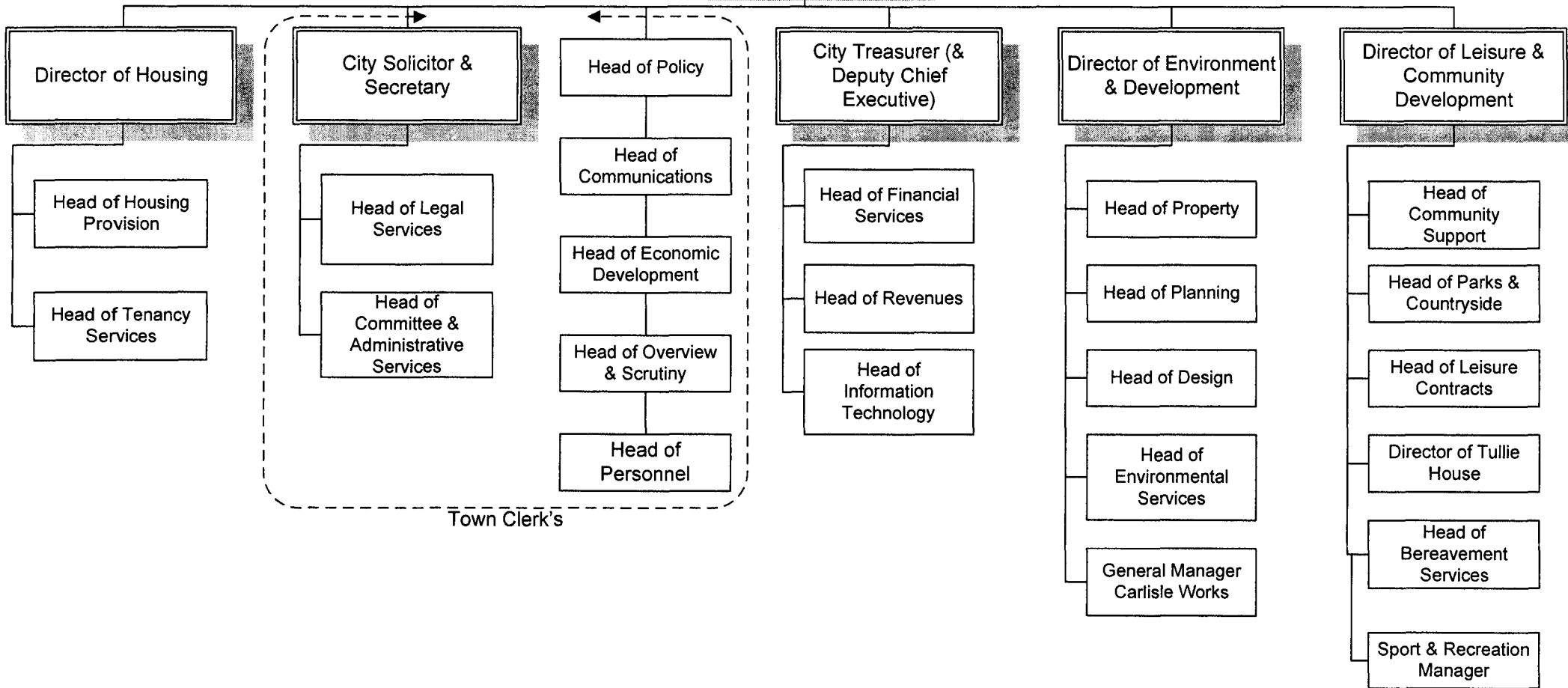


# Carlisle City Council

Current Departmental Structure

Chart - 1

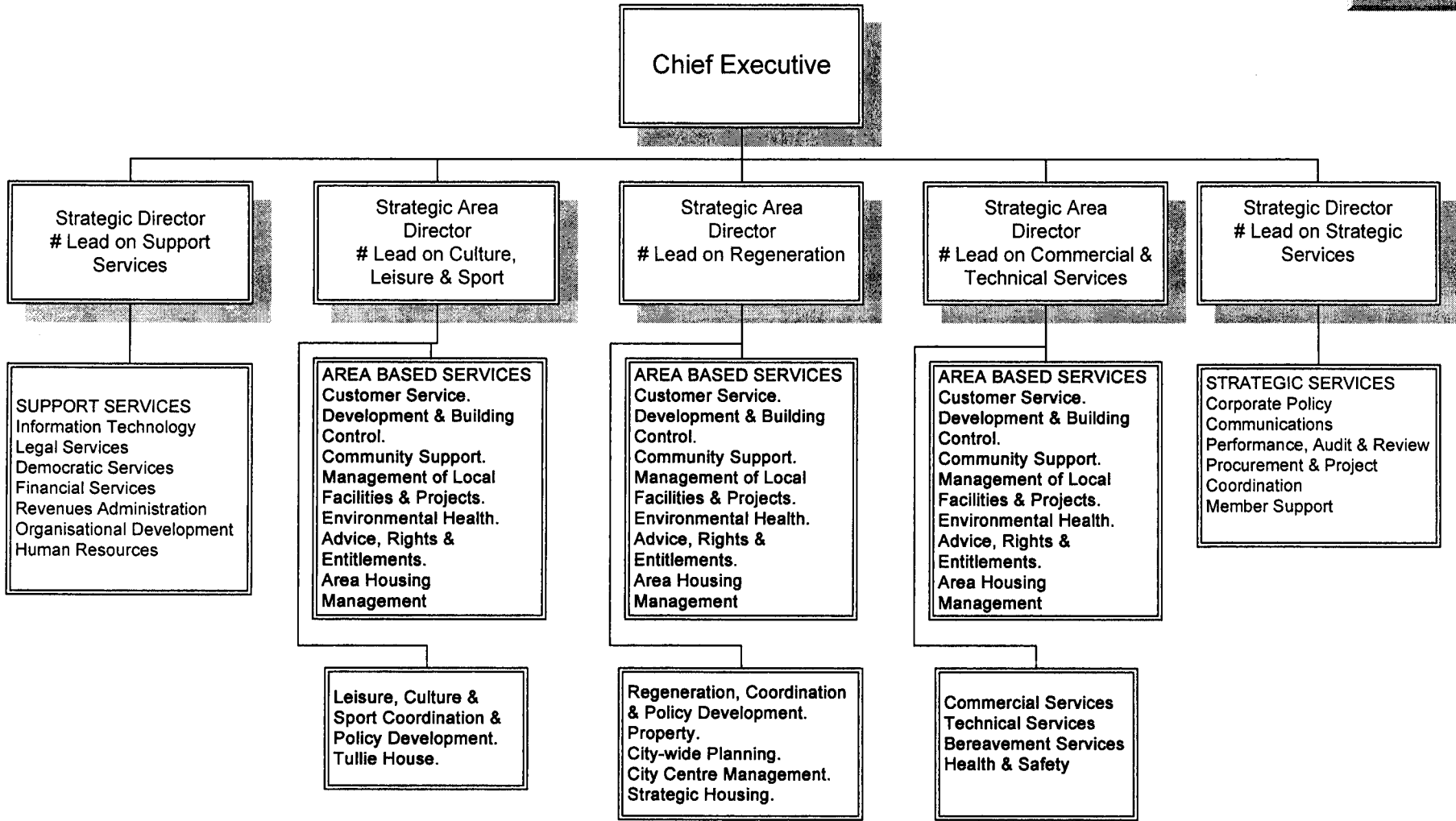
Town Clerk & Chief Executive



**Carlisle City Council**  
 Corporate Organisational Review 2002  
 (proposed area based management option)

Draft Proposal for  
 Consultation  
 18th March 2002

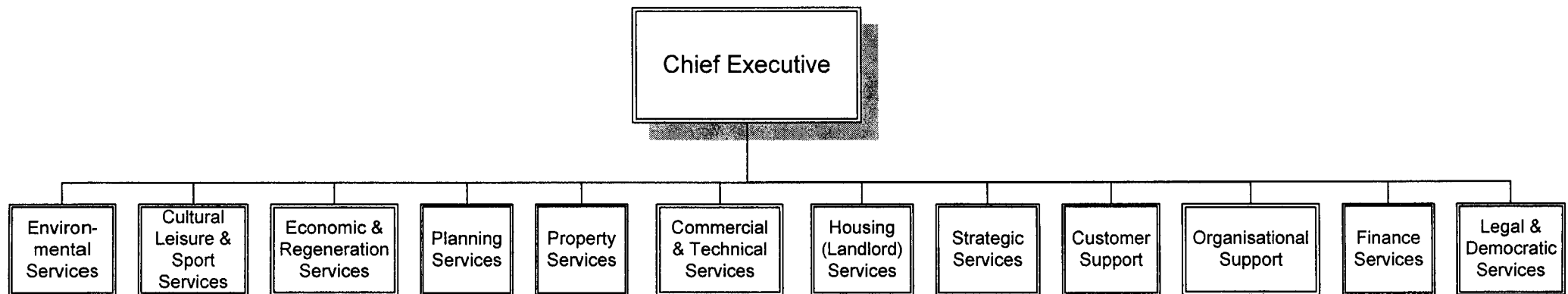
Chart - 2



**Carlisle City Council**  
Corporate Organisational Review 2002  
(proposed flat structure option)

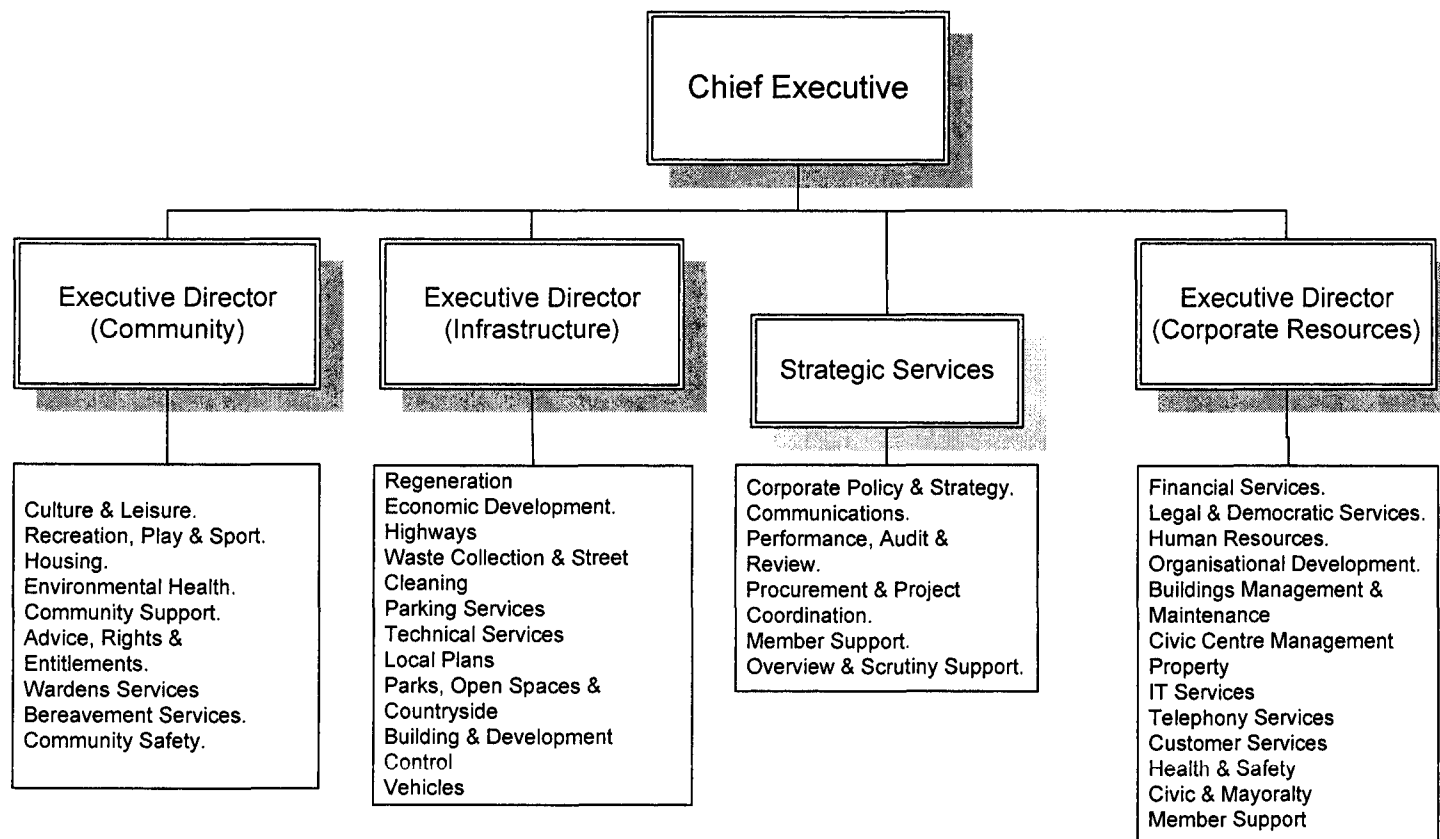
Draft Proposal for  
Consultation  
18th March 2002

Chart - 3



12 Service leaders  
all report direct  
to the Chief Executive

**Chart - 4**



Functions would be grouped under Service Heads

**Carlisle City Council**  
 Corporate Organisational Review 2002  
 (proposed strategic/coordination option)

Draft Proposal for  
 Consultation  
 18th March 2002

Chart - 5

