



Leicester
City Council

Overview Scrutiny Management Board
Cabinet

29th September 2008
1st October 2008

DELIVERING EXCELLENCE
A transformational programme for Leicester City Council

Report of the Chief Executive

1. Purpose of the Report

- 1.1 To provide an overview of the work undertaken to date in partnership with Deloitte and Greengage in order to support the delivery of excellent services and to support delivery of the One Leicester Strategy.
- 1.2 To recommend a new structure for the corporate team and to recommend the way forward to recruit to this team. This includes the establishment of four new posts; these include a Chief Operating Officer and three strategic directors with responsibility for the delivery of One Leicester priorities.
- 1.3 The report also seeks authority for further work to consolidate the structures underneath the corporate board which will be the subject of a further report by the newly appointed Chief Operating officer. This includes the structure to effectively deliver on the Local Area Agreement and the requirements of the Local Strategic Partnership.

2. Recommendations

- 2.1 OSMB is recommended to comment on the report and its proposals.
- 2.2 Cabinet is recommended to:
- (a) welcome the attached report, and endorse the direction of travel;
 - (b) approve the addition to the establishment of the post of Chief Operating Officer, who will also act as Deputy Chief Executive officer;
 - (c) approve the creation of three new Strategic Director posts, with responsibility for:
 - Investing in Children
 - Adults and thriving communities
 - Planning for people not cars, reducing our carbon footprint, investing in skills and enterprise

- (d) delete the existing posts of corporate director at a time to be determined by the Chief Executive;
- (e) commence a formal Appendix R review on the structure beneath corporate director level, and delegate to the Chief Executive authority to approve the new structure arising from the review of posts at this level (subject to any necessary Employees' Committee approvals regarding statutory officers);
- (f) commence work on other aspects of the programme of change described in Appendix One;
- (g) approve the timetable for service transformation as set out in Appendix 1 and agree the creation of programme and governance arrangements that will deliver against that timetable. This will be subject to quarterly monitoring reports through OSMB and Cabinet, which will include spending on the programme;
- (h) approve an addition to the budget of £1m per annum for Delivering Excellence from 2008/09, falling to £0.7m by 2012/13, such needs to be reviewed each year as part of the budget process; and delegate to the Chief Finance Officer authority to allocate this sum to appropriate budget lines;
- (i) fund £0.7m pa of the above by means of a permanent increase to the budget from 2009/10 and the remaining £1.9m from the capital fund;
- (j) authorise the release of the remaining sum of £1.3m set-aside in the 2009/10 budget for service transformation, to be used (together with other sums not required to implement the structure) to deliver the programme of change;
- (k) seek a further report should any significant capital expenditure be proposed to deliver the programme of change;
- (l) to note that changes will be needed to the Council's Constitution to reflect the removal of corporate director posts.

3. Report

The Transforming Leicester Programme

- 3.1 Appendix 1 of this report sets out a full report completed in partnership with consultants working with senior officers and members. It considers the key issues arising from the council's Corporate Performance Assessment and the change that is required to improve performance and for the council to become a more customer focused organisation. A summary version of the report is enclosed as Appendix 2.
- 3.2 Section 2.1 of Appendix 1 sets out the findings of the self assessment work and indicates a range of developmental issues that the council must address if it is to respond to the Audit Commission's findings and be responsive to the

citizens of Leicester. The report indicates 5 key areas that must be addressed; these include

- 3.3 **Leadership effectiveness:** While it is recognised that political leadership is stable and strong, there are significant issues in relation to managerial leadership and capacity. This has led to pressures in meeting the sometimes competing demands of operational excellence and strategic priorities.
- 3.4 **The execution of Strategy:** The One Leicester vision provides both the foreground and backdrop to what the council needs to consider and deliver in support of the city's vision. The council needs to align provision to focus on these strategic priorities to ensure that resources are effectively prioritised and corporately deployed. This will promote a One Council approach as opposed to unilateralism by departments.
- 3.5 **Structure:** A formal review of the structure suggests that current arrangements are not satisfactory. The ethos is largely based on descriptors of activity rather than impact and outcomes. The current structure is also not conducive to the effective alignment of political and managerial responsibilities and the ability to broaden Member participation in the decision-making processes of the Council.
- 3.6 **Partnership Working:** While partnership working in Leicester is strong its effectiveness in delivering tangible outcomes could improve significantly. There is a concern regarding the relevance of the city wide Local Area Agreement and day to day delivery on the ground. There is also a need to ensure Value for money in governance and accountability structures.
- 3.7 **People and Culture:** There is a consensus across all stakeholder groups that the council lacks a 'can do' culture and that it is unnecessarily bureaucratic and risk averse. This approach leads to concern regarding the speed of decision making and inertia. There is a lack of a comprehensive workforce development strategy that ensures that the right people have the right skills to do the right jobs necessary for the organisation to be successful. There is significant talent in the organisation that often goes un-noticed and unsupported. Furthermore, there is a need to consider Member training as an equally important facet of change in the development of the Council's human resource capability.

Delivering Change

- 3.8 Addressing the change that the organisation requires needs to be completed in a comprehensive and joined up way that makes the change sustainable and embedded in the organisation. If this is to be achieved without impacting on the council's ability to deliver front line services then a fundamentally different way of working is proposed. This is set out in detail in Section 2.3 in Appendix 1 and comprises two key elements. These are :
 - A new Corporate Structure
 - A strategic Transformation programme
- 3.9 **A New Corporate structure** is referred to in Appendix 1 at paragraph 3.1. It is intended to develop and / or address improvements to the six organisational

capabilities considered necessary to support improvement in the future delivery of services. The proposed structure addresses all the key issues discussed with key stakeholders and should address the following additional benefits:

- Capacity at the senior levels
- Alignment to strategic priorities
- Clear accountability for outcomes
- An organisational assurance function to deliver organisational confidence
- The introduction of a Head of HR and a Head of Change and Programme Management on Service Director grades that put staff at the heart of the change agenda.
- The location of Communications as part of the direct support functions for the CEO and the strategic leadership of the Council.
- Opportunities for greater engagement between middle management and elected members
- Broader opportunities for participation of staff and elected members
- Improved focus on outcomes for the end service user.

The proposals also outline the need for broader Member participation but recognise that further dialogue is required to consider new ways of working to achieving this.

- 3.10 The changes proposed involve the establishment of a new post of **Chief Operating officer**, who will also act as the permanent Deputy Chief Executive. This post will facilitate a more joined up approach to working across service areas, address the way support functions support the delivery of front line services, and address the council's response to HR and workforce strategy. This will be supported by changes in line management accountability of the Head of HR and Head of Support Services.
- 3.11 The creation of three new **Strategic Directors** directly responsible for executing the council's vision and priorities. These posts will be by Member appointment. They are focused very much on the need to deliver against corporate wide strategic priorities rather than departmental operational priorities. The strategic directors will enable the service director capacity to focus on delivering the right service improvement outcomes that are lined up to the One Leicester strategy. This process which can be described as strategic commissioning and will ensure that services are focused on the priorities that matter most to the citizens of Leicester and will facilitate improved performance reporting in line with the new performance management arrangements.
- 3.12 This approach should facilitate a much greater focus on the delivery of strategic outcomes enabling us to rather than compartmentalised approaches that happen to fall within the parameters of the department. Two examples of this include the council's approach to Skills which currently sits across all the departments of the council and children's services which require considerable inputs from regeneration and property if the benefits of BSF are to be recognised for the city as a whole. Alongside this post will sit the newly created **Director of Public Health** which will lead on the Health and Wellbeing

strand of One Leicester and is a joint NHS Leicester and City council appointment.

- 3.13 Alongside these changes it is proposed to establish a **Chief Monitoring Officer** function with a remit broadened to include performance and risk management, with accountability for democratic services and accountability directly to the Chief Executive Officer. A key role of this post is to ensure the improvement and effectiveness of Member support.
- 3.14 Also reporting to the Chief Executive Officer will be the Head of Finance and the Communications lead, together with the Head of Programme and Change management - a new post that is currently being recruited to. This post will lead on the second element of change which is to deliver the Strategic Transformation Programme.
- 3.15 The new reporting arrangements endeavour to ensure that the Chief Executive has oversight of the strategic priority setting of both the council and its partner agencies through the Local Strategic Partnership arrangements in line with the Community Strategy; is able to facilitate the setting of a strategy led approach to budget and resource allocation; can maintain an overview of the support to elected members; and has oversight of communications.
- 3.15 In contrast, the role of the Chief Operating Officer will be to understand the operational business of performance, ensure that the support services deliver the services necessary to ensure that services are supported to focus on outcomes for the end user, and considers the interface with HR and the workforce strategy.
- 3.16 The process of implementing structural change will be by means of 2 formal Appendix R reviews:
- a) the first of these has already taken place, and results in a formal proposal to delete the existing posts of corporate director and create the new posts of chief operating officer and strategic directors. Cabinet is recommended to endorse this proposal and agree the new structure;
 - b) the second relates to tiers below strategic director. This report recommends that Cabinet approves commencement of a formal Appendix R review to consult on the proposals in the attached report.
- 3.17 **A strategic Transformation programme** is proposed alongside the corporate restructure to ensure that the ambitions outlined in One Leicester are achieved. This is set out in Section 3.2 of Appendix 1. It is a response to the recognition that in order to deliver, the organisation must change more than just the people at the top of the organisation. There is a requirement to become an organisation focused on improving performance, characterised by delivering quality services to Leicester's citizens and becoming a place where people want to come and work and want to stay.
- 3.18 It is proposed that the required organisational improvement will be driven through four key programmes of change (these are discussed in Section 3.2.2 of Appendix 1):

- Strategic Priorities
- Service Transformation
- Customer service Improvement
- Partnership development

3.19 It is further proposed to facilitate the changes and service improvements by developing work on a number of key areas to enable change to happen. These include focusing on the people in the organisation, the way projects and programmes are managed, addressing organisational performance management and reporting and tackling the approach to organisational assurance (these are discussed in Section 3.2.3 of Appendix 1).

3.20 A programme board will be established to provide overall sponsorship to the programme and to ensure that progress is monitored and key changes delivered on in accordance with the detailed work plan for the programme. Details of the proposed Programme Board which will involve elected members is set out in Appendix 1 at Section 4.2.

Benefits of the Approach suggested

3.21 The benefits from the restructuring of the senior team and the changed approach to transforming the city council's business are expected to include:

- Service improvements to the end user
- Management that is aligned to the issues that matter to the Leicester
- Greater clarity between the role of officers and elected members
- Greater Member involvement
- Improved performance arrangements that translate the LAA to a local neighbourhood level
- Improved organisational culture
- A workforce strategy that is aligned to providing the right people with the right skills to do the job
- Greater development of talent and diversity within the Council
- A greater clarity around the interface with partners and the resources to address the strategic priorities
- A strategy led approach to use of resources
- Improved efficiency

Consultation undertaken

3.22 There has been considerable consultation in the development of this approach. The details of this are set out at Appendix 3.

3.23 A number of key themes emerged in the course of the consultation and workshops. These were considered in the final drafting of the report in Appendix 1, specifically in Sections 3.2.2 and 3.2.3. They can be grouped as follows:

- **Member training and development:** There were views expressed that training and development for elected members had in the past been poor and that this did not give members, especially new ones, a complete understanding of the role they could play alongside officers in delivering a

high performing council. It was also highlighted that there needed to be in place a performance reporting framework for key portfolios that was open and transparent for cabinet leads and for senior officers. This will be addressed through the new performance framework due at cabinet in October. The need for this Member Development is considered as part of the proposed 'People' workstream activity of the change programme (Appendix 1 section 3.2.3).

- **Lack of influence of members.** Many members considered that members had very little influence and that this extended into the overall running of the council but also in terms of understanding and being able to get across to officers some of the reality on 'their patch'. The need for better consultation and engagement with Members, as well as the exchange of information regarding the Council's performance at ward level is considered as part of the proposed 'Performance Management' (Appendix 1 section 3.2.3) and 'Customer Service Improvement' (Appendix 1 section 3.2.2) workstreams of the change programme.
- **Poor communication with members:** There was a view that communication was poor in the organisation and externally and that this had an impact on how members found out about things. Members cited examples coming from the media rather than from any co-ordinated release of information. The absence of a clear strategy was also evidenced as a failure to tell local people what was happening. The proposal to move the line reporting relationship of Communications to the CEO is intended to ensure better oversight of this function. The need to re-consider the structure and operations of Member Services is also highlighted in the report (Section 3.2.2) and this is being proposed as one of the early projects that the change programme needs to focus on.
- **Relationship between members and officers:** There was discussion regarding the failure to tackle a greater understanding of the roles of officers and members and reasonable expectations.
- **Human Resources:** There were considerable criticisms of HR, particularly the lack of responsiveness of this function and the absence of an overall strategy for managing the workforce. The proposal to appoint a senior Head of HR is intended as a measure to introduce dedicated leadership to this important function. In parallel with this is to need to restructure and re-organise the HR function (Appendix 1 section 3.2.3 - People).
- **Culture of the Council:** There was a recognition that the culture is often bureaucratic and paper driven rather than with a genuine desire to focus on the end user. There was a consensus that this led to inertia, delays in decision making, risk aversion and a lack of personalising and differentiating services.
- **Members Services:** There were many issues raised re the quality of services from member services. This service is identified as one of the functions requiring an early review of its operations (Appendix 1, Section 3.2.2 – 'Service Transformation').

- **Functioning of Political groups:** There were issues raised in regard to supporting and assisting group development across all parties to promote a greater sense of openness and transparency.
- **Structures for governance and decision making:** There were issues raised re the need to realign political structures with changes in corporate structure and the transformation programme. This is outlined in Section 3.1. In addition, there was also a recognition on the need to re-visit the Council's decision making process with a view to cutting bureaucracy while maintaining organisational assurance in the process, as well as ensuring that broader discussion and engagement between Members and Officers happens during the early stages of policy development (Section 3.2.3 – Organisational Assurance).

3.24 The directly affected staff and their trade union, the GMB have been formally consulted on the proposal to restructure the corporate director layer of management. There is agreement from the staff member concerned and his representative to the proposed approach.

3.25 These comments have been incorporated into the report in both the structural solutions and into the overall change programme.

3.26 While all these issues need to be promptly addressed, the ones that were consistently identified by officers, Members and union representatives as needing urgent attention included: human resources, performance management, communications and member services. As such, these issues will form part of an 'early adopters' agenda intended to focus resource on driving improvements as quickly as possible, in order to build support and momentum for the broader change programme.

4. Financial Implications

4.1 Delivering Excellence has potentially significant financial implications, both continuing and in the short-term. The costs are described in section 5.2 of the report. It is estimated that the costs of the new management structure, plus the Change Management Team, will amount to £0.7m per annum, once temporary posts of Operations Managers have ceased. These costs will be offset by any contribution made by Leicester Partnership.

4.2 Assuming the temporary arrangements continue until 2011/12, £2.1m of one-off costs are envisaged. This will cover both the temporarily enhanced management structure, and the temporary additional HR capacity envisaged in the report. Further costs will be incurred for consultancy support; the report also envisages that a new customer relationship management system might be required at a cost of £2m, although this is not a firm proposal at this stage.

4.3 Costs will be developed further as the project progresses. It is expected that Delivering Excellence will identify other areas where the Council is short of capacity, or where new expenditure can help deliver our goals.

4.4 The budget for 2008/09 made provision of £2m for service transformation, of which £1.3m remains uncommitted.

- 4.5 In order to fund Delivering Excellence, it is proposed that an additional £0.7m be built into budget estimates from 2009/10 onwards. This will cover both the permanent costs of the new establishment. It is also proposed to set-aside in the budget a further £0.3m to pay for one-off investment of up to £3m on transformational costs, although the recommendations to the report only release £1.9m at this stage.
- 4.6 Delivering Excellence is expected to deliver savings, as transformed services will be more cost effective than previously. Indeed, Deloitte envisage the whole programme will be self-financing over time. No estimate of these savings has yet been made. To put this into context, however, the Government expects us to achieve cashable efficiency savings of £30m by 2010/11, which significantly exceeds the costs of Delivering Excellence. Delivering Excellence is intended to be the vehicle by which the Council will give itself the capacity and the culture to start achieving efficiencies of this magnitude.

(Mark Noble, Chief Finance Officer – Ext.297401)

5. Legal Implications

- 5.1 The Authority's procedures for dealing with organisational change will need to be applied when further work is carried out to consolidate structures underneath the Corporate Board, so as to comply with contractual and general employment law requirements.
- 5.2 The report mentions a proposal to create a Chief Monitoring Officer: consideration needs to be given as to whether this post will be the statutory Monitoring Officer which the Authority must designate to comply with Section 5 of the Local Government and Housing Act, 1989, the statutory "whistle blower" who must report to the Authority contraventions of law, maladministration etc.
- 5.3 It is important that any new structure continues to enable the Council's legal adviser to have direct access to decision making by the Executive i.e. Cabinet and Corporate Directors' Board.

(Peter Nicholls, Head of Legal Services – Ext.296302)

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within the Report
Equal Opportunities	YES	The report and appendix one seeks to address diversity issues in our workforce
Policy	YES	The report sets out new ways of aligning our work to the strategic priorities of one Leicester
Sustainable and Environmental	YES	Co2 reduction is a new strategic priority for the Leicester Partnership and the Council
Crime and Disorder	NO	
Human Rights Act	NO	
Elderly/People on Low Income	YES	Improving the customer focus of the

		Council as detailed in appendix one will significantly benefit the elderly and people on local incomes
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7. Risk Assessment

7.1 A full risk log will be kept as part of the Programme Office for Delivering Excellence

8. Background Papers

8.1 None

9. Consultation

9.1 See para 3.22 and Appendix 3.

10. Report Author

Sheila Lock

Ext: 6000

Email: Sheila.lock@leicester.gov.uk

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)