

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Medway Room, Sessions House, County Hall, Maidstone on Friday, 15 October 2010.

PRESENT: Mrs T Dean (Chairman), Mr A R Chell, Mr R Brookbank, Mr G A Horne MBE, Mr R F Manning, Mr M J Jarvis, Mr R E King, Mrs J P Law, Mr R L H Long, TD, Mrs J A Rook and Mr J E Scholes

ALSO PRESENT: Mr P B Carter

IN ATTENDANCE: Ms K Kerswell (Group Managing Director), Mr J Hawkins (Project Manager, Transformation), Mrs A Beer (Director of Personnel & Development), Mr P Sass (Head of Democratic Services and Local Leadership) and Mr A Webb (Research Officer To The Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

71. "Change to keep succeeding" The transformation of the Council's operating framework *(Item C1)*

(1) The Chairman explained that an extraordinary meeting of the Committee had been arranged to give Members the opportunity to scrutinise the Cabinet's decision to endorse the Group Managing Director's proposals in advance of the formal consultation that was due to commence on 18 October 2010. The consultation was due to finish on 3 December 2010, and the proposals would then be brought before the County Council in December.

(2) Before Ms Kerswell gave a presentation to the Committee, the Leader informed Members that the Conservative Group had made minor amendments to the draft structure proposals since they were presented to Cabinet on 11 October. During the presentation, Ms Kerswell explained the proposed structure of the council, including the five new directorates – Education, Learning and Skills; Families, Health and Social Care (FHSC); Customer and Communities; Enterprise; and Business Strategy and Support.

(3) Some key features of the new structure were outlined, including Customer and Communities which as the 'Directorate of the front line' housed the gateway model, including libraries, registrars and web and telephone access; and Business Strategy and Support which consisted of business support to the whole council (Human Resources (HR), Information Technology (IT), Finance and Law services) and Business Strategy, which brought together business intelligence, performance management and business strategy to work in a client / corporate fashion with each of the Corporate Directors and Cabinet Members.

(4) The Committee was informed that the new structure was intended not only to facilitate the required savings but also to build capacity where it would be required and where opportunities to transform services existed. It reflected the policy direction

of the new Government (for example the relationship between education and social services reflected the renewed focus on education), the impact of the impending Comprehensive Spending Review and the ambitions of Bold Steps for Kent.

(5) Ms Kerswell explained the membership of the Corporate Management Team (CMT), which would consist of the five new Corporate Directors as well as the Section 151 Officer and the Corporate Director of Human Resources. The title Group Managing Director would also become Managing Director under the proposals. Members' attention was drawn to the specific section on Corporate Directors in the appendix report which offered a full explanation of their role. Later in the meeting, Mr King also referred to this section of the report and suggested that the new role of CMT was key, and that in the past Managing Directors had ring-fenced their own budgets because they were not thinking in terms of the whole organisation. Mr King suggested that it would be useful to have a further schematic showing the overarching role of CMT.

(6) Ms Kerswell went on to inform Members of the changes featured in the alternative proposals, which were circulated at the meeting. These changes included: Within FHCS, the Transition Director post would be a Head of Service, rather than at Director level and the job title and functions of the Director of Supporting People had been changed to instead cover strategic commissioning of health and social care, quality assurance, supporting people and back office support for Safeguarding; Feedback suggesting that youth offending and youth services should be together had resulted in youth offending moving to the Customer and Communities directorate, along with Kent Drug and Alcohol Team and community safety; Within the Enterprise directorate, Emergency planning had been moved into the division of Planning and Environment and the Director of Waste had been merged with the Director of Kent Highways post; Changes to Business Strategy and Support comprised the merging of the Corporate Director of HR and Director of IT posts and the Director of Procurement becoming a Head of Service under the Corporate Director of Finance and Procurement.

(7) Ms Kerswell rounded off the presentation by explaining what the new structure would deliver, including Bold Steps for Kent, a focus on the 'Three Ambitions', locality boards and additional capacity to deliver new service models and communication and community engagement.

(8) The Leader explained that, although there were a number of permutations, the proposals before the Committee represented a structure of the organisation that was fit for purpose and he wholeheartedly endorsed the structure. A slightly larger corporate support function was proposed but overall the new structure represented from a shift from 'silos', where each Directorate had its own duplicated support functions, to an integrated organisation, which would lead to substantial savings in the medium term. Further savings would be made below the top tier structures, since there would be less people on the payroll (as with the rest of the public sector) but the Council was setting an example by proposing a leaner top tier while growing capacity for significant change, such as the ambitions set out in Bold Steps for Kent.

(9) There was discussion about the status of the Cabinet report. Mr Sass confirmed that the report set out the Group Managing Director's proposals, and that the Constitution was clear that the approval of the structure down to the third tier was a decision for County Council on the recommendation of the Group Managing Director

and Leader. In response to a question from Mr Horne, Ms Kerswell confirmed that, as Head of Paid Service, she had the ultimate responsibility for implementation of any restructure in law, but the Constitution required proposals to be brought before full Council. Ms Kerswell felt there should be close involvement of Members and Officers in the process, which is why she had chosen the approach of bringing the proposals before Cabinet, Scrutiny Board and the Cabinet Scrutiny Committee.

(10) A query was raised around the fact that the alternative proposals had been presented after the discussion at Scrutiny Board. It was agreed that the Chairman of Scrutiny Board should be notified of the changes to the proposals and may want to call another meeting on that basis, but that a further discussion on the proposals would be taking place at Scrutiny Board on 3 November in any case.

(11) A range of questions were put to the witnesses, and the Chairman chose to divide these into three broad categories – process, costs and changes to service departments. There were also questions around CMT and the roles of the first tier posts, the nature of silos and the culture change that would be required.

Process

(12) A question was raised about who was consulted before the formulation of the proposals. Ms Kerswell responded that she had met with 219 managers and sought their views about the efficiency of the organisation; she had met with every member of CMT several times and asked them, based on the design principles endorsed by Cabinet, what they would do with their services and the rest of the Council; she had sought the views of the Chief Executive of Eastern and Coastal Kent Primary Care Trust in relation the Health White Paper and how the FHSC Directorate should be structured; and had two sub-group meetings and a full meeting of CMT.

(13) In response to a question about how the strengths and weaknesses of the organisation had been analysed, Ms Kerswell stated that she had spent a month taking in information about the organisation when she first arrived, had met with Cabinet Members and CMT on a number of occasions and then come to the Leader with a Force Field Analysis to inform the debate from which they had then arrived at the proposals.

(14) Mr Manning made the point that care would need to be taken to ensure the structure was not constructed from the top down, and asked if any workload analysis workload had been carried out. Ms Kerswell explained that it was an iterative process and that if the analysis had been carried out before the proposals were brought before Cabinet, this work could have potentially been wasted, but that it was possible to make professional judgements about capacity. The proposals were to make senior jobs larger in their spans of control, but this was necessary given the circumstances as well as the need to challenge what the council can continue to provide. Ms Beer added that the proposals looked at drawing together functions that in some cases had senior managers who would manage the delivery of these services. The synergy between these functions, the number of staff and the budget responsibilities was examined, in order to assess the feasibility of the responsibilities of each Director role.

(15) Responding to a query about what had been done to flatten the organisation, Ms Kerswell referred to the design principles and the ideal five tiers between CMT and

the front line, and the fact that there were currently too many one-to-one or one-to-two line management arrangements, and consequently too many managers. The improved effectiveness of the Oracle human resources system would enable the number of managers to be challenged.

(16) Following up a question asked at County Council on 14 October, the Chairman asked if reports by the directors of Finance, Law and Governance and Audit had been provided to the Committee on the respective risks of the restructure proposals. The Leader and Ms Kerswell stated that, although extensive discussions with officers had taken place, including with the Director of Law and Governance on the legal implications of the consultation, there were no formal reports by officers but that the risks, assessed on the basis of these officer discussions, were captured in the risk register, which was authored by Ms Kerswell.

(17) On the number of staff involved in the design and implementation of the proposals, it was stated that the programme management team had been drawn from across the organisation with back office support from HR, and approximately 17 staff had been involved in scoping the task of transition, including staff from Communications, Finance, IT and Resource Directors. Mr Hawkins anticipated there would be a team in each Directorate managing the transition, a small central programme team and project teams working on the finance, governance and IT structures and accommodation, as well as involvement from the Communications team. Mr Hawkins was confident that these roles could be fulfilled by existing staff.

(18) A question was raised about Mr Hawkins' role, and whether he had been brought in to advise or implement, to which he replied that he had been employed to implement the new structure as a project manager within the implementation team, and had no preconceived idea of the management structure. Regarding how progress of the implementation would be measured, Mr Hawkins responded that his deliverables would be a management structure that was fit for purpose and approved at County Council on 16 December and to get as many tier 1 and 2 posts filled as possible by the end of January 2011, so there could be a detailed transition before the 4 April 2011 with no disruption to services.

(19) A question was posed about how staff were notified of the proposals that were published on 8 October. Ms Kerswell stated had met with CMT on 7 October and shared the proposals that had been discussed with the Leader and Cabinet, and discussed ways in which the next tier of management could be informed. At this point the decision was taken to brief those affected on the morning of 11 October before Cabinet. Furthermore, all the affected staff were notified during September of the date when the proposals would be published.

(20) A Member asked whether the 311 responses to the informal consultation constituted a meaningful response rate. Ms Kerswell pointed out that opinion polls designed to explore the views of the entire population use relatively small samples and that, if one were to apply the same methodology, the standard error would be comparable. Furthermore, the responses received had been largely positive despite the fact that those against a proposal are usually the most vociferous, and this should therefore be seen as encouraging. Mr Hawkins stated that most of the 311 comments were anonymous, but he would estimate the vast majority were from non-management staff. There were also multiple comments received from the 219

managers that had been asked for their views and these further added to the pool of responses.

(21) A Member speculated that those who did not respond to the informal consultation may have thought Trade Unions would be representing their interests, and went on to ask about what work had already been done with Unions around the restructure. Ms Beer informed Members that there had been three informal meetings with Unions, a letter later that day would give them formal notification of the consultation and a formal meeting would be taking place the following week. Although Unions had not yet had the opportunity to make formal comments, an initial response was that they were grateful for being involved early on in the process.

(22) On the question of what measures were in place to ensure further involvement in the coming weeks, it was stated that there was a series of workshops, two SharePoint communities set up for staff directly impacted and their direct reports, the use of discussion forums was being explored and there were also ongoing dialogues with the respondents to the informal consultation who had opted to be involved in further discussions.

(23) Members raised questions about why proposals had been unveiled at that particular time, particularly in advance of the Comprehensive Spending Review on 20 October, and whether the proposed structure would be flexible enough to cope with further policy changes from Government. Ms Kerswell stated that if the Council did not begin looking at reducing costs it would end up examining what it delivered rather than how. A 30-34% reduction in funding from Government was anticipated, a clear policy agenda had already been set out in 'The Coalition: our programme for government', which the proposed structure would help to deliver, and the consultation process would be sufficiently open and flexible to enable the Council to respond to the implications of the forthcoming Localism Bill, Education Bill or White Paper, and the Health White Paper. The Leader added that the Council would be looking to restructure regardless of who was in Government, since substantial savings would still have to be made and the move from 'silos' was long overdue.

(24) The Chairman asked whether the Managing Directors' individual views on the restructure proposals would be fed back to Members, notwithstanding the fact that they should be viewed through the corporate lens. Ms Kerswell envisaged that they would form part of the final reports to County Council in December.

(25) Regarding the timeframe and process for appointments to the senior management posts, Ms Beer stated that the internal recruitment process would take place during January, with unfilled posts being advertised externally thereafter.

(26) In response to a question about the timescale over which the Hay panels would be operating, it was clarified that there were currently no Hay panels taking place but the Hay Group would be engaged to look at salaries of senior staff in order to provide external advice and validation and give an initial view of the appropriateness of the proposed structure and salaries. Ms Beer explained that the Hay job evaluation process was a methodology which was designed to ensure a consistent approach to grading jobs in both the public and private sector, and that Hay panels consisted of managers who came together and graded jobs based on their job descriptions in accordance with the process.

(27) Mr Scholes, as chair of the Superannuation Fund Committee, inquired whether the true pension costs of the proposals would be taken into account, particularly in relation to the changes further down the new structure. Ms Kerswell suggested a formal meeting be held with Mr Scholes to discuss the issue.

(28) A Member commented that the proposals before the Committee represented the 'bones' of a structure and a strategic direction, and that to get into detail and the supporting evidence would be a mistaken approach, as this was a live process.

Costs

(29) There was a discussion around the expected savings from the new top tier structure and the reduction from 29 to 24 posts. The savings were of the order of 18% comparing like with like and excluding additional costs such as severance pay, pensions or the termination of the bonus scheme. The Leader pointed out that the cost of senior director appointments had fallen markedly since 1994, when they were of the order of £4-5M per year to approximately £2.6M under the proposed structure

Silos

(30) There was an in-depth discussion around the nature of 'silos', Mr Hawkins defined silo working as being characterised by different parts of the organisation not sharing learning and good practice, and duplication of functions across the organisation. The Chairman asked how the silos had been created and ingrained, to which the Leader replied that they came about from people pulling in different directions and not assessing what would be in the interests of the whole organisation.

(31) Ms Kerswell noted that care would need to be taken to ensure that the old silos were not replaced with new ones and that the structure would be only one aspect of the new organisation. Other important features included the way that business support would serve the whole organisation, discipline around the use of systems (for example ensuring systems such as Oracle were fully utilised) and the redefined role of CMT in advising members on how to balance competing interests and ensuring coherent managerial leadership. A Member also made the point that care would need to be taken that silos did not develop within Departments themselves, particularly as a result of any division between professionals and other officers or administration staff.

(32) It was asked how other Kent organisations would be asked to look at how they operated, to which the Leader replied that the new structure was designed to deliver the localism agenda, but another aspect would be bringing people together to deliver joined-up services in each locality, and there would be a need to work with district Chief Executives so they can take on a greater responsibility for joined-up working at a local level. In addition, the draft job descriptions of the Corporate Directors included the task of building and promoting successful partnership working.

CMT and First Tier Posts

(33) There was a discussion around the five statutory officers and their access to the Managing Director post in the new structure. Ms Kerswell confirmed that the statutory Director of Children's Services (DCS), Director of Adult Social Services (DASS), Section 151 (s151) Officer would sit on CMT, which would meet weekly but felt it was

not necessary to have the Monitoring Officer (MO) on CMT or reporting directly to the Managing Director, provided that the post-holder and Managing Director felt satisfactory access arrangements were in place. The Committee were of the view that the Group Managing Director should consider that the Director post that includes the role of Monitoring Officer should also be part of CMT, in order to ensure that timely and appropriate legal advice was available to assist decision making at the highest level.

(34) A Member suggested that consideration should be given to whether the Director of Finance and Procurement (s151) should be a more senior post, rather than being managed by the Deputy Managing Director. Ms Kerswell pointed out that it was a first tier post and part of CMT and would have an open door relationship with the Managing Director. This was also in accordance with the code created by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which suggested a direct reporting line to the Chief Executive or reporting arrangements that achieve a similar outcome. Ms Kerswell explained further that the rationale for the s151 officer sitting within the Directorate of Business Strategy and Support was because of the operational delivery of financial services to the whole organisation

(35) The Chairman asked whether the statutory role of the Director of Children's Services (DCS) could adequately cover all its responsibilities, when the care elements would be passed to FHSC. Ms Kerswell informed Members that the nature of this role was being explored, but that the existing statutory guidance made clear that responsibility for discharge of the functions of the DCS could lie elsewhere in the authority. The statutory guidance would have to change in any case since Government had changed the law on two requirements (to have a Children's Plan and Children's Trust) and were consulting on the role of a local authority in education services.

(36) A suggestion was made that, since the Managing Director would be running the day to day business of the organisation, consideration should be given to appointing a Director of Transformation, who would be responsible for driving down the new culture through the different levels of the organisation.

(37) The Leader endorsed the establishment of the Deputy Managing Director post and the rationalisation of the direct lines of management to the Managing Director, and added that the structure below the top tiers may need external challenge to ensure the best outcome.

Changes to service departments

(38) The Leader had resisted pressures to move to three service directorates and a support function, and believed the permutation of four service directorates would be the most suitable.

(39) On the point about the reintegration of Children's Services with FHSC, the Leader reflected on discussions with the Permanent Secretary of the Department for Education about the disaggregation of education from children and families nationally and the fact that he had concerns expressed to him by governors and head teachers on a number of occasions about the adverse effects on education of the amalgamation with children's social services.

(40) Ms Kerswell stated that there was a debate around the reporting and delivery relationships of children's social care which was designed to provide an education focus and additional capacity for the education agenda. The move was about statutory responsibilities and reporting arrangements as distinct from ensuring the delivery of quality Children's services, and there had been a desire in the informal consultation to strengthen the education element of the organisation. The formal consultation process would provide an opportunity to explore whether this was the right approach, and as it became clearer what the Government's intentions were, this would ensure a good outcome. Similarly with the Director of Public Health, there may be a future need to re-examine the role when the Government's intentions became clearer.

(41) The Chairman expressed concerns about the additional responsibilities being placed within the FHSC directorate at a time of significant change. In particular, Children's Services being reintegrated, the additional responsibilities that would be passed across from Primary Care Trusts (PCTs), the role that FHSC would be expected to play in Healthwatch (the Government proposal for public and patient involvement) and the reintegration of Supporting People.

(42) Ms Kerswell commented that FHSC was designed to take on the health agenda, and provide joint commissioning and delivery of health and social care, building on existing good practice in this area. There was a new resource to look at working with the new GP consortia, and a joint transition board was already working with the two PCTs to plan and merge activity together, but Older People & Physical Disability, Learning Disability & Mental Health, Supporting People and Specialist Children Services were all existing functions that were being realigned. In doing this, there was the opportunity to draw together the Joint Strategic Needs Assessment (JSNA) for adults and the Needs Assessment of the Children's Plan to see what strategic commissioning could deliver across the piece.

(43) Mr Horne asked where the scrutiny of Kent health services would feature in the new structure. Referring to the current role of the Health Overview and Scrutiny Committee (HOSC) in looking at the equality of provision across Kent and its ability to refer decisions to the Secretary of State, Mr Horne questioned whether this power would be retained and suggested that councils still had a role in monitoring the standard of services provided through hospitals and acute care, as well as GP consortia. Ms Kerswell agreed this was an important issue and there was uncertainty about the scrutiny function and councils' involvement, but that this had been reflected in the Kent response to the Health White Paper. The Department of Health had also recognised the significant role councils had played in scrutiny of health services, but were not yet clear on what involvement they wanted from councils on the oversight and scrutiny of GP commissioning.

(44) There was a discussion around whether the Director of Business Strategy should sit within the Enterprise directorate, particularly considering that the post had responsibility for the Enterprise Fund. Ms Kerswell stated that re-titling of the Enterprise directorate was already being considered, and it was important to make the distinction between functions being put in place to support Kent business and those to support the agenda of the whole business that is Kent County Council. Members welcomed the assurance that an alternative title for the Enterprise

Directorate was being considered and Mr King also suggested 'Environment and Enterprise' as a potential alternative.

(45) A Member suggested that the Group Managing Director might want to reconsider whether public rights of way and country parks should sit under the Director of Customer Services. Ms Kerswell responded that the rationale for this was that they were services people chose to access, but that she had discussed with the Director of Personnel and Development whether they should sit under Planning and Environment. The Leader added that there was potential for social enterprises to get involved in the running of these services, and that moving to a different part of the organisation may encourage innovation, but that due to the specialised nature of the statutory roles relating to these services it could be discussed outside of the meeting.

(46) There was a discussion about the rationale for the proposal to explore the possibility to form an arms-length trading organisation out of the legal department. Having an in-house legal department meant that if incorrect advice was given internally the Council would have no recourse, yet taxpayers bear the financial risk of any incorrect advice given to external customers. Furthermore, it was felt that legal services would be able to augment the £1.2 million it currently brought into the Council each year if it was given more freedom.

(47) On the centralisation of the policy function, the Chairman asked how policy would be commissioned, whether all the expertise would be expected to be in a central policy function and whether there would be a continuing dialogue between policy and the delivery arms of the respective departments, since those involved in the delivery often have specific expertise. Ms Kerswell responded that there was a 'continuum' from operational policy to the overarching strategic view and there was a need to see the horizon as well as the detail. To have separate functions would be creating silos while a central policy function would be the driver that would link all parts of the Council as a professional organisation.

Culture

(48) The Leader made the point that the top tier would need to be signed up to the behaviours and design principles and be part of the Council's journey, and this culture would need to be propagated throughout the organisation.

(49) In response to a question about how the necessary culture change would happen in order to achieve integrated working, Ms Kerswell responded that it was about getting the right people in the right roles, being honest about what needed to be done and then very disciplined about doing it. The assessment centres would be a two way process that would also be an opportunity for people to explore whether they would like to work in the organisation and way of identifying strengths and weaknesses to help support their development.

(50) A Member asked what tools would be employed to ensure that the centralisation of support functions was successful, given that others had tried this in the past and failed. Ms Kerswell responded by pointing to her track record of achieving this elsewhere, and by stating that the way to achieve this was by having staff who wanted to work in this way and take the tough decisions necessary to make it successful. The Leader added that it was important to articulate to staff that this was

a more efficient model to save public money, and have a dialogue that enabled staff to give their feedback on how this could be achieved.

(51) Ms Kerswell thanked the Committee for the useful input that she had received during the discussion.

RESOLVED that the Cabinet Scrutiny Committee:

(52) Thank Mr Carter, Ms Kerswell, Ms Beer and Mr Hawkins for attending the meeting and answering Members' questions.

(53) Note the general approach set out in the Group Managing Director's proposals (*Note: Mr Chell voted against this resolution, on the basis that he thought the Committee should approve, rather than note the proposals*)

(54) Agree the formal consultation process can commence

(55) Welcome the assurances given by the Group Managing Director that the points raised by the Committee will be taken into account and responded to.