

Meeting	<b>Simultaneous Executive Meetings</b>	Subject	<b>Delivering the Adur and Worthing Partnership Strategy</b>
Date	<b>12<sup>th</sup> July 2007</b>	Author	<b>Adur and Worthing Partnership Management Board</b>

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1. **PURPOSE OF REPORT**

- 1.1. This report updates Members on the work undertaken to investigate the possibility of a Single Senior Officer Structure between the two authorities. This follows the Council Meetings in March 2007 and their consideration of the High Level Business Case on this topic.
- 1.2. It recommends that SEMs should recommend that each Council now takes the decisions required to establish a Single Senior Officer Structure to serve both Adur District Council and Worthing Borough Council, and to deliver a programme of shared services for the two Councils.

2. **THE COUNCIL RESOLUTIONS OF MARCH 2007**

- 2.1. The decisions taken by both Councils in March 2007 confirmed their support, in principle, for the High Level Business Case to that point and asked Officers to undertake further work on that basis. The Councils also set up joint arrangements for making appointments should the Councils decide to progress in the way suggested in the High Level Business Case.
- 2.2. Both Councils commissioned Officers to extend the work undertaken to that point. For the sake of clarity, the resolutions are set out below:-
- “e) **agree that Officers refine the recommended service blocks, further develop appropriate financial and governance arrangements for Members to consider in July 2007 and investigate and seek external funding to help progress the development of appropriate financial arrangements, in consultation with the Joint Working Party (set up by SEMs on 21<sup>st</sup> September 2006);**”

**“f) place any savings achieved in 2007/08 in a Partnership Contingency Fund to help dampen the effect of departure costs in 2008/09.”**

- 2.3. In the case of Adur District Council, it was also suggested that, in the event of proceeding with the proposed Single Senior Officer Structure, it should consider adapting its overall governance to the Leader and Cabinet model.

### **3. THE CHANGING CONTEXT**

- 3.1. When Members considered the High Level Business Case earlier this year, there was some uncertainty about its context in respect of the structure of local government. Whilst this is still not fully resolved, there is more confidence that two-tier county areas not included in a move to unitary status will be left to devise their own approaches to improving the effectiveness and cost of multi-tier working. West Sussex is in this position.
- 3.2. Another aspect of the context for the March reports was a sense that the Comprehensive Spending Review 2007 (CSR07) might drive Councils to look for more structural approaches to delivering services in tight financial circumstances. Just four months on, this now looks like a certainty.
- 3.3. At the time of considering this proposal, there was a growing level of debate about shared services between Councils but none about the potential of joint approaches to Officer arrangements. This has changed over the months since then and the work that Adur and Worthing have been doing on this has become the starting point for many other authorities seeking efficiencies via similar arrangements.
- 3.4. What is absolutely clear is the fact that there are no easy solutions to the challenges being placed before Councils over the medium term. The simple truth is that if they do not take a structural approach to their organisation and costs, then potential service reductions can be the only way to balance the books.

### **4. SUMMARY OF ADDITIONAL RESEARCH**

- 4.1. The additional investigation of the findings of the High Level Business Case considered by both Councils in March 2007 has been substantial. In truth, each of the topics investigated could have merited a more intensive and lengthier approach. Whilst this may seem desirable in academic terms, it has to be recognised that reaching a strategic decision relatively quickly is important, so that any period of uncertainty is minimised in the interests of both organisations and the services they deliver.
- 4.2. The work undertaken since March has reinforced the view that Worthing and Adur Members and Officers are in a leading position within local government as a result of their understanding of the practicalities and issues on shared services and joint management arrangements. This is a positive recognition of the work of both authorities in this progressive direction.

- 4.3. However, indirectly, it is also a recognition of the fact that there is no real body of external expertise to assist in taking the project forwards. This has implications for the approach the Councils will have to consider in taking the Single Senior Officer Structure through to implementation, if the recommendations are supported. It will certainly require close working relationships and trust to deliver it.
- 4.4. The sections which follow represent a strategic summary of the findings of this additional work under the main headings that were identified by the Councils in March 2007 and which have become strategically significant in progressing the task. More detailed analysis and findings for the main issues around finance and human resources are set out in Appendices 2 and 3. This demonstrates the substantial depth of consideration that has been given to these topics and also provides more detailed guidance about how a Single Senior Officer Structure might develop in practice.

## 5. **GOVERNANCE**

- 5.1. It is essential that both Councils are confident in the technical arrangements for a Single Senior Officer Structure before they proceed with it. The work that has taken place has confirmed that it can be made to work, with appropriate safeguards for each of the authorities. The paragraphs below detail this. It is also impractical to devote more Officer time to the project without there being a serious impact on current services.
- 5.2. The additional work undertaken has strengthened our confidence that a joint governance arrangement between Adur and Worthing Councils to manage a Single Senior Officer Structure and shared services can be made to work. Naturally, it will work at its best when relationships between the two Councils are harmonious and where objectives, priorities and service standards are common. Nevertheless, robust and highly practical arrangements can be put in place for dispute resolution and scrutiny to cope with differences of view.
- 5.3. In respect of the corporate priorities of the two Councils, work has also been undertaken with leading Members to consolidate the existing separate priorities of Worthing and Adur, which were in fact already very similar. These common priorities are set out in Appendix 1.
- 5.4. Another strategic conclusion of this work emphasises the importance of both parties having matching governance arrangements. This reinforces the preliminary conclusion in the High Level Business Case that Adur District Council should change its governance arrangement to that of a Leader and Cabinet. Steps have already been taken within Adur District Council to explore such a decision.
- 5.5. The results of the Development and Scrutiny Committee review will be considered at a meeting of the Committee on 11<sup>th</sup> July 2007. Recommendations from this meeting on its proposals for the future governance arrangements at Adur District Council will contribute to the

decision by Adur District Council when considered at the Council meeting on 23<sup>rd</sup> July 2007. This decision will be made in parallel with the Council's consideration of the Single Senior Officer Structure.

- 5.6. Finally, another aspect of governance that has been reinforced by this work is the question of the frequency of elections. As will be seen later in this report, the process of completing a Single Senior Officer Structure is not a quick fix. Therefore, like many other major changes in organisational design, there needs to be consistency of strategy at the highest level beyond a one or two year horizon. Thus, the nature of delivering strategic or structural change locally (i.e. not imposed externally by central government.) suggests that a longer period between elections would help Members to focus on the bigger picture rather than short term or day-to-day issues. At the same time this would assist the delivery of other longer term strategies or intentions that can be undermined by the pressures of frequent elections, such as medium term financial strategies.
- 5.7. All-out elections every four years would facilitate this more strategic approach and give the management team of the two authorities a more consistent set of guidelines for them to deliver against.
- 5.8. If the Councils decided to consider this option, a decision would be needed within the next year or eighteen months so that the process could be initiated prior to the next opportunity for all out elections in 2011.
- 5.9. The proposals for Governance will be incorporated in a Joint Committee Agreement between the Councils. The paragraphs below summarise the main features of the proposed agreement.
- 5.10. The provisions relating to the joint committee structure, which will be considered in detail by a joint meeting of Worthing Borough Council's General Purposes Committee and Adur District Council's Constitution and Audit Committee on 17<sup>th</sup> July 2007, are that the Councils will initially establish four joint committees, namely:-
  - A Joint Strategic Committee - consisting of 6 Members of the Executive (Cabinet / Policy and Strategy Committee) from each Council, to give strategic direction to the Single Senior Officer Structure and any shared services.
  - A Joint Delivery Committee - consisting of 4 Members of the Executive of each Council (excluding Leader and Deputy Leader), to have responsibility for the delivery of the Single Senior Officer Structure and any shared services. It would now supersede the proposed Joint Committee for the joint waste collection/recycling/cleansing services, and these services would be governed by the Joint Delivery Committee under the arrangements set out in the report to the General Purposes Committee (Worthing) and Constitution and Audit Committee (Adur). These arrangements include an extended agreement end date of 31<sup>st</sup> March 2028.

- A Joint Overview and Scrutiny Committee - consisting of 8 Members from each Council who are not on the Executive (Cabinet/ Policy and Strategy Committee, Housing and Central Services Committee/ Leisure and Direct Services Committee) to have responsibility for the Overview and Scrutiny function in relation to the Single Senior Officer Structure and any shared services, but not in relation to services solely provided by one Council or policies and other matters solely determined by one Council (e.g. Licensing policy).
- A Joint Staff Committee - (as agreed and set up in May 2007 at both Annual Council meetings) consisting of 3 Members from each Council, has responsibility for the appointment of the Chief Executive, Directors and Executive Heads of Service. This Committee is also responsible for hearing disciplinary and grievance appeals, and agreeing terms and conditions of service for the Single Senior Officer Structure, where such matters are determined by Members.

The Chairperson of each committee, except the Joint Staff Committee, shall not have a casting vote.

5.11. There is provision within the Agreement for joint decision-making by individual Cabinet Members should Adur decide to alter its political management structure to a Leader and Cabinet model.

5.12. The Agreement between the Councils shall include a detailed procedure for determining matters where (1) the joint committees cannot agree and (2) where the decision of the committee is made by a majority of Members but not a majority from each Council. Briefly the proposals are that:-

- Where the Joint Delivery Committee is unable to resolve a decision then the matter will be referred to the Joint Strategic Committee for consideration.
- Where the Joint Strategic Committee or Staff Committee is unable to resolve a decision it shall be referred to the Leaders of each Council (or the Leader of Worthing Borough Council and the Policy and Strategy Committee of Adur District Council) in consultation with the Chief Executive and other appropriate Officers.
- If the matter cannot be resolved in the manner proposed above it will be referred to external arbitration.
- Unresolved disputes relating to the expenses of the Joint Committees shall be referred to a single arbitrator under Section 103(b) Local Government Act, 1972.

5.13. There is provision within the agreement for:-

- it to be extended beyond an original date of 31<sup>st</sup> March 2028; or

- it to terminate on that date; or
  - either Council to withdraw from the agreement prior to that date at not less than two years notice.
- 5.14. The provisions allow for the staff and assets to be divided on termination between the Councils to allow continuity in the provision of its services. Additional provisions exist to cover a situation where one Council wishes to terminate the agreement prior to 31<sup>st</sup> March 2028 and the other does not.
- 5.15. Further reports for Members will follow in the autumn upon a joint scheme of delegation to Officers, amended contract standing orders and financial regulations and the consequential constitutional changes.

## 6. **FINANCIAL ARRANGEMENTS**

- 6.1. Officers from both Councils have taken part in several workshops designed to identify and prioritise the financial issues requiring further work following the Council resolutions in March 2007. They also sought to identify whether there are any financial issues which would prevent the Councils from moving ahead with the proposed partnership arrangements.

The following are the main areas considered by Finance Officers:-

- Financial Resilience
  - Financial Planning, Accounting and Budgeting
  - Annual Cost Allocation and Apportionment
  - Section 151 Officer (Chief Financial Officer)
  - Internal Audit
  - Pay and Grading Review
  - Structure and Capacity of the Financial Services Section – resources to deliver project
  - Payroll
  - Treasury Management and Banking Arrangements
  - Pension Contributions
  - Financial Regulations and Procedures
  - I.T. Systems
- 6.2 The headlines from this work suggest that a way to share income and expenditure, prepare budgets and accounts, allocate and apportion costs, etc. can be delivered. However, there will be significant issues and complex technicalities to handle, such as the joining up of information systems and these will inevitably take some time.
- 6.3 A summary of the key issues are as follows:-
- 6.3.1. **Financial Resilience** - Although there are many similarities between the two Councils, Adur and Worthing are not the same financially, especially when it

comes to financial resilience. There are ramifications for those services delivered jointly as they could potentially be faced with differing financial challenges from each Council for what is essentially the same service. There will have to be a tacit acceptance between the two Councils that the financial targets placed upon any joint services must be the same from each Council. This will partially fetter the discretion of each Council to decide where savings will be made as they will be locked into an extensive partnership agreement which is predicated on the Councils continuing to agree upon the service standards.

- 6.3.2. **Financial Planning, Accounting and Budgeting** - There will still be a requirement for each authority to prepare a medium term financial plan (MTFP), and also one for the new joint service, which will need to reflect harmonisation of what is expected by both Councils from the joint services.

Under the proposed new arrangements there will also remain a requirement for individual budgets to be prepared and agreed for both Adur and Worthing Councils. This will be supported by budgets for the joint service, and it is likely that the first joint budget will be set in 2009/10.

Although jointly managed, both Councils will remain separate entities and there will be a requirement to keep and publish two separate sets of accounts. In reality whilst the management accounts will be jointly managed, the Council budgets and financial accounts will be separate.

- 6.3.3. **Annual Cost Allocation and Apportionment** - The allocation of costs, which would appear to be an academic discussion, takes on a new importance in the context of the proposed working arrangements between the two authorities.

In future, under the proposed new joint working arrangements, the allocation of costs becomes much more sensitive. Whilst there are many benefits in setting up a joint management structure and potentially joining services together, one of the consequences of setting up joint services will be that the Councils will now be paying a proportion of the cost of a joint service rather than procuring the service directly.

Therefore, the Councils must choose an appropriate basis for allocating the cost of each service. Changes in allocation will affect not just individual services but could affect each authority's budget (and final accounts). A gain for one authority will be a loss to the other under the proposed arrangement. There is no solution to this problem which will completely alleviate the risk to both authorities if the Councils are to comply with relevant professional guidelines and codes of practice. However, there are a number of measures which would help manage the risks.

The Finance Officers have discussed the matter in detail and have devised a protocol which is set out in full in Appendix 2 and which will be embraced in the legal agreement signed by the two Councils. It is also recommended that the two Councils adopt the protocol as set out in Appendix 2, including the

requirements to produce a costed service specification which clearly identifies the current service cost and the financial impact of the joint service arrangement.

However the over-riding principles of stability and transparency will be applied to the allocation process, and an acknowledgement, in the transitional period, that neither Council should suffer any detriment resulting purely from a change in the allocation or apportionment methodology.

6.3.4. **Section 151 Officer (Chief Finance Officer)** - Much discussion has centred around this important position in the two Councils, and advice sought on the legal position resulting in the following proposal being recommended.

The proposal for a possible solution is:-

1. To have one Section 151 Officer appointed by the single employing authority and for the other Council to second that person as their Section 151 Officer, to ensure appropriate authority to act for both councils;
2. That the Section 151 Officer appoints two deputies, each deputy having a specific overseeing role for one nominated council;
3. In areas of conflict, where all three Officers designated cannot reach a resolution of any matter, then the Councils would seek external advice or some form of external arbitration.

6.3.5. **Internal Audit** - Internal Audit is currently provided in both Councils under contract by the same external provider, Deloitte. Worthing's contract is due to terminate at 31<sup>st</sup> March 2008, and Adur has extended its contract by one year so that it comes to an end at the same time.

Officers have discussed the practicality of entering into a joint contract to provide a common internal audit service to each Council, within the context of moving to a joint officer structure and fully shared services. The conclusion is that a joint internal audit contract is a feasible prospect and it is recommended that work should commence now to draw up a specification based on each authority's existing specifications.

6.3.6. **Structure and Capacity of the Financial Services Section - resources to deliver project** - It is the view of Officers that the new combined Financial Services Section should be in place as soon as practicable to be able to support the other services and the joint organisation as it comes into being. In the present organisational structures, each Council has a post of "Head of Financial Services" or equivalent, which in Worthing also takes on the Section 151 Officer responsibilities.

Officers suggest that even if the equivalent of both of the current posts is left in the structure, there are significant, substantial additional pieces of work, as set out in Appendix 2, which are as a result of partnership working that will

require additional capacity. These will clearly be over and above existing financial arrangements and interim assistance will be required to deal with these matters.

This additional work is likely to require an additional accountant for a period of two years to deal with these change management aspects. There may also be a need for further capacity if it is decided to introduce one financial system, although the amount of additional resource needed would be dependent on a number of factors including timescale.

6.3.7. **Treasury Management and Banking Arrangements** - It is recommended that both Councils agree that Officers are given authority to extend the current bank contracts for up to two years until the new business processes are clear and an exact specification can be drawn up.

6.4 More detailed commentary on the financial issues surrounding a Single Senior Officer Structure and comprehensive shared services is attached as Appendix 2.

#### 6.5 **Summary and Conclusion on the financial arrangements**

(a) The financial arrangements are particularly challenging and still need further work as outlined above. Officers from both Councils have developed some possible proposals, as outlined in the paper attached as Appendix 2.

(b) The conclusion at present is that, whilst there is still much further work to do on the future financial arrangements over the coming months, there is nothing which prevents the Councils from going forward at this stage, provided that the risks and some degree of compromise are accepted. Officers are of the view that arrangements can be developed which will properly serve the interests of both Councils. Some of the work required will be substantial and complex. Consequently, further external assistance will be required, and external funding is anticipated to support this work. Such external support will be particularly important and could be helpful to the wider local government family. If councils are to develop partnerships like Adur and Worthing, then they will undoubtedly run up against similar complex problems.

#### **Financial Probabilities**

6.6 The additional work has concentrated largely on cost sharing, budgeting and accounting arrangements. It has not produced a highly detailed business case with a simple "bottom line" on which a decision can be based. The work required to create that would be onerous, time consuming and expensive as well as being based on probabilities rather than certainties. It would also be the work required to set up the single Officer arrangements once the strategic decision has been taken in July 2007. However, the probabilities are positive.

- 6.7. Once these relatively technical matters are resolved, there is the prospect to reduce overheads and improve unit costs within a single officer structure. Members are reminded of the challenging financial prospects that both Councils face in the future, particularly in the context of the Comprehensive Spending Review and the implications that arise from that over the next three years. It will be important, therefore, for both Councils to consider all opportunities for improved and more efficient ways of working and to reduce overheads and operating costs in order to help meet the efficiency targets.
- 6.8. Therefore, the Members of both Councils face a strategic decision that will drive targets for a financial outcome rather than a financial outcome driving their decisions. In a sense this represents the entrepreneurial nature of the business decisions the Councils are considering within this project.
- 6.9. The table below shows, for indicative purposes only, the total joint forecast savings and costs in moving to the proposed Single Senior Officer Structure by 1<sup>st</sup> April 2008. They are all at 2007/08 prices and include average departure costs (which assume a redundancy multiplier of 1.75, pending formal determination of a common redundancy policy). The average departure costs in particular should be taken as indicative only as there is a very wide range, depending on age and length of service. It has not been possible at this stage to cost the implications of a comprehensive shared service programme, only the Single Senior Officer Structure.

	Single Senior Officer Structure Tier				Budget	Savings Against Existing Budget	Departure Costs
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	PA	£'000	£'000	£'000
The existing Senior Officer Structure	2	4	17	6	2,221	0	0
The transitional year, 2007/08	1	4	17	6	2,086	(135)	0
The first year, 2008/09	1	3	10	4	1,582	(639)	428
The full year, 2009/10	1	3	10	4	1,582	(639)	117

- 6.10. For costing purposes, no significant savings beyond those of operating with one Chief Executive rather than two are envisaged for the current financial year 2007/08. Departure costs will have a significant effect on the level of net savings achievable in 2008/09 (and to a lesser extent 2009/10).
- 6.11. There will be a need, certainly for at least the first year, to replace some of the capacity lost at third tier in the key areas of Finance, Human Resources, Legal and Business Transformation, from external backfill resources.

## 7. **HUMAN RESOURCES**

- 7.1. Members will not need reminding that the two Councils are essentially “people organisations” and that much of our expenditure is on our staff. As such, particularly in the context of the rules surrounding public bodies, the delivery of a Single Senior Officer Structure has to follow appropriate processes if it is to succeed within a reasonable timescale.
- 7.2. Of paramount importance is the agreement of common terms and conditions for both Councils, including the terms for any staff that might leave the organisations as a result of these changes. Implementation of the pay and grading review for staff of both organisations and assimilating staff to a single pay structure are an essential component of this, as is the adoption of a common redundancy policy.
- 7.3. Naturally this would be facilitated by one of the Councils becoming the single employer of all the staff in the Single Senior Officer Structure. This would resolve the technical issues that can arise in shared service arrangements where matters of discipline, grievance and dismissal can become more difficult if a Manager has a different employer than the person he/she is managing. As the Councils have only recently undertaken the TUPE transfer of staff for the AWS project to Adur District Council, there is some rationale in adopting this route for all staff.
- 7.4. Another key area for careful decisions by the Councils is the appointment process. Decisions in this area could have a real impact on the timetable for getting the Single Senior Officer Structure up and running.
- 7.5. Finally, a decision to proceed with the Single Senior Officer Structure would trigger an extended human resources task. The appointment of senior management could be handled relatively promptly. However, as the new joint management and organisational structure is developed, each part of the organisation would require such input as its implementation took place. This underpins the requirement for capacity resourcing within human resources for the period of implementation.
- 7.6. The more detailed issues and additional work in the area of human resources are set out in Appendix 3. This includes a detailed consideration of the appointment process that would be triggered by the Councils agreeing to proceed with the Single Senior Officer Structure. The main issues are considered in the following paragraphs.
- 7.7. It is necessary to determine which Council is to be the single employer. There are no overwhelming human resource, legal, financial or operational grounds for identifying either Council as being the preferred employer. It is consequently recommended that the AWS approach be followed and Adur District Council be the employing Council.
- 7.8. Counsel’s opinion has been obtained which confirms that the two Councils, by making an amendment to their Officer Employment Procedure Rules, may

lawfully recruit the Single Senior Officer Structure from the existing Officers of the two Councils, without going out to public advertisement.

- 7.9. Technically, all the Senior Officers are subject to dismissal on the grounds of redundancy and entitled, unless redeployed under the Council's redeployment policy, to redundancy pay. There is an exception if they obtain alternative local government employment within 28 days. If any of those made redundant are aged 50 or over, then a premature retirement is triggered.
- 7.10. Where there is at least a 70% similarity between the post currently held by a post holder and one of the new posts, it may be appropriate to 'slot in' the post holder to the new post. Other than the Chief Executive (see below) it is believed that it will be exceptional to identify any posts for 'slotting in'. The Joint Staff Committee will make a determination as to any 'slot ins' having received advice from a human resources recruitment specialist.
- 7.11. In respect of the post of Chief Executive, advice has been sought from South East Employers (SEE). This confirms that, as the Chief Executive at Adur / Interim Chief Executive at Worthing is appointed Chief Executive, due to time as Interim Chief Executive at Worthing, both Councils can be satisfied that he is the appropriate appointment and that the joint appointment will be on merit.
- 7.12. If both Councils are in agreement that:-
- (a) there should be no external advertisement,
  - (b) the post should be ring-fenced to the current Chief Executive of Adur / Interim Chief Executive of Worthing
  - (c) that the post should be subject to a 'slot in'

then it is recommended that to move the process forward the two Councils determine that the current Chief Executive of Adur / Interim Chief Executive of Worthing be appointed as Chief Executive with effect from 1<sup>st</sup> September 2007, subject to agreement being reached between the current Chief Executive of Adur / Interim Chief Executive of Worthing and the Joint Staff Committee as to terms and conditions of service.

- 7.13. The present timetable envisages that this project will be completed by around March 2010. The Chief Executive has indicated an intention to retire around this time. If so, external advertising could commence during the summer of 2009, to help bring about a smooth transition.
- 7.14. Each Council is required to designate one of its Officers as the Head of Paid Service. It is proposed that the appropriate Officer to designate for this statutory role for each Council is the Chief Executive. It is proposed that, due to the legal nature of the duties imposed upon the Monitoring Officer, the appropriate Officer to be designated for this statutory role is the Executive Head of Legal & Democratic Services. Management arrangements will be developed to deal with those situations within which there may be a conflict of

interest for the Monitoring Officer. It is also proposed that the appropriate Officer to be designated for the statutory role of "Section 151 Officer" (Chief Financial Officer) is the Executive Head of Financial Services and Audit. It is permissible, in the proposed arrangement, for one Council to employ the above Officers directly and to second the officer to the other Council for them to act in that statutory capacity for the other Council.

- 7.15. As the above posts are statutory appointments and subject to special procedures for their appointment and dismissal, it is important that the Councils recognise that the reasons for removing the designations of Section 151 Officer and Monitoring Officer from the current Officers is purely related to the creation of a single officer structure and the design principles underlying those proposals. There is no reflection on the ability of any of the current Officers in the manner in which they have carried out these functions.
- 7.16. It is proposed that the Councils agree to ring fence the applicants for the new posts and that this is limited to the same level of posts. Therefore Corporate Directors can only apply for Strategic Director posts and Assistant Directors / Divisional Managers can only apply for Executive Heads of Service posts. The main reasons for this proposal are that:
- (a) it will help the Councils to retain good quality staff;
  - (b) it will help the Councils to save costs, because without ring-fencing it is likely that there would be increased redundancy costs; and
  - (c) it will allow the process of appointments to be completed more quickly and in accordance with the timetable recommended.
- 7.17. In all cases, any Officer who fails to secure a post in the new structure will be declared redundant. The procedure proposed in this report is in respect of the Senior Officers. Discussions are to take place with Unison on other posts on the basic principle of minimising compulsory redundancies. The Councils will seek to avoid the need for compulsory redundancies. To achieve this there will be consideration of redeployment, retraining and salary protection for up to three years, if there is a suitable alternative vacancy.
- 7.18. As this is a particularly sensitive series of appointments for Members and Officers, it is proposed that the Strategic Directors be interviewed, selected and recommended to the two Full Councils by the Joint Staff Committee. It is also recommended that the Executive Heads of Service be interviewed, selected and appointed by the Joint Staff Committee, with support from the appropriate Strategic Director and external independent Human Resources support.
- 7.19. It is proposed that an external Human Resources recruitment specialist be appointed to be in attendance throughout the selection assisting in the development of job descriptions and person specifications for the Strategic Directors and the Executive Heads of Service, advising the Joint Staff

Committee at all stages throughout the recruitment process for the Single Senior Officer Structure and attending all meetings of the Joint Staff Committee during the recruitment process.

- 7.20. A timetable for the recruitment process for the Single Senior Officer Structure is set out in Appendix 3.

## 8. **BUSINESS TRANSFORMATION**

- 8.1. The investigations and debate that have taken place since the Council meetings in March 2007 have confirmed the impression that the biggest pay back from the creation of a Single Senior Officer Structure will be delivered only if we change the way we work. If we are simply to create a combined organisation that reproduces current arrangements and working practices, we will achieve very little.
- 8.2. To make the most of the business change opportunity represented by combining the Officer structures, we need to rethink the best way of delivering services economically and effectively as we do so. In each case we can consider the approach in Worthing and Adur separately, decide if there are advantages to go down one path or the other, or adopt a new approach that improves on both.
- 8.3. This simple summary of the process understates the work involved. Therefore, as is the case with human resources activity, the business transformation activity needs to be seen as a priority throughout the two year main transition period. Each service under the Executive Heads of Service would need to go through this process and, in discussion with strategic management and leading Members, identify a clear project plan for making the best of this opportunity to improve and economise.

## 9. **ORGANISATIONAL DESIGN - THE OPPORTUNITY**

- 9.1. The exercise to explore the potential for a Single Senior Officer Structure serving Adur District Council and Worthing Borough Council provides a unique opportunity to reconsider the way both authorities structure the management of their activities. In progressing this, it gives us the opportunity also to reflect on the way we are set up to address the emerging strategic cross-cutting issues that local authorities now have to take into account. It also gives us the opportunity for each of the Strategic Directors to be identified as the Lead Officers for each of the major projects that are being delivered in both Councils.
- 9.2. This topic has consumed a substantial proportion of the effort put into this project. This is entirely understandable as it will set the pattern for how the Officer structure delivers the respective requirements of both Councils. It also, indirectly, makes a statement about how the two Councils see the priorities for the future and ways in which different elements of the organisation might be combined to deliver them.

- 9.3. However, there should always be a health warning in dwelling excessively on this topic, as it is often the case that the way individuals operate has as much significance on organisational behaviour as names in boxes. It should be remembered that there is always scope for fine tuning structural arrangements as reality unfolds and as agendas change.
- 9.4. The grouping of activities proposed for consideration attempts to create critical mass where it is needed to deliver effective services and provide better resilience to short term peaks and troughs, staff sickness etc. Even more importantly, it seeks to combine activities that add value to our communities and services or create efficiencies.
- 9.5. Another challenge for any new organisational structure in the current climate of UK local government is to answer the question of how important cross-cutting or service developments can be managed. Essentially, it is proposed that some of this is achieved in key areas where it has been reflected in the proposed structure, such as Well-Being and Business Transformation. In others it is proposed that each of the Strategic Directors takes individual responsibility for corporate priorities or cross-cutting themes and pulls together the relevant Officer resources to create a corporate approach to progressing them.
- 9.6. Members will be aware of the fact that Adur District Council is in partnership with Horsham and Mid-Sussex District Councils on Revenues, Benefits, ICT and Electronic Document Retrieval Management Systems (EDRMS). This is within the CenSus Partnership and has delivered new business systems and combined management arrangements over the past few years and savings in procurement, management costs and learning. There has been substantial discussion about how this arrangement might fit with the Adur/Worthing partnership proposals.
- 9.7. CenSus itself has already agreed an open invitation for Worthing to attend the CenSus Joint Committee as an observer and to consider joining at an appropriate time in the future. Whilst this is a welcome step, joining CenSus is not a decision that can be taken without a clear understanding of the service, governance and financial arrangements from Worthing's point of view. Similarly, Adur will need to be clear about the way in which its CenSus based services will work alongside its joint Officer arrangements with Worthing.
- 9.8. It is, therefore, suggested that Worthing Borough Council takes a decision in principle to join with CenSus by April 2010, but only on the basis that there would need to be recognisable financial and operational advantages for doing so and acceptable governance arrangements. This "in-principle" decision would allow Worthing to attend and participate in CenSus discussions, with a clear long term objective. This will allow time for a considered evaluation of those services being delivered through the CenSus Partnership to be made, and a full understanding of the impact of moving, or expanding, any existing arrangements for service delivery to be made by the Adur/Worthing Partnership.

- 9.9. Any future decisions on the delivery of those services for both Adur and Worthing would be made on the basis of a business case being proven for those services. It would also represent a basis for taking its own decisions between now and then that would be consistent with the CenSus objective. In the meantime this would also allow Adur to reflect on the CenSus arrangement over the same timescale to confirm that it remains advantageous.
- 9.10. As alluded to at the start of this section, the proposed organisational structure has been devised from a substantial volume of discussion in a very short timescale. Key in this process were a number of service block workshops. These placed Adur and Worthing representatives of various work areas alongside each other to seek informed guidance on a new single organisation to serve both Councils. It would be true to say that they did not all reach a consensus view. However, this is not surprising given the differences in working between the two Councils. It was not expected, in the time available, that the Officers would be able to gain a full understanding of each others approach and then be able to make a complete evaluation of the best way forward.
- 9.11. It is also important to remember that much of our agenda is set by Central Government and both our current organisations and that proposed will need to be flexible and adapt to meet the changing agenda. The recommended service and support groupings represent the Partnership Management Board's judgement of what can be made to work for both Councils in the service and financial climate we face. The ten recommended service blocks are set out in Appendix 4.
- 9.12. The proposed structure is a three Director and ten Executive Heads of Service model, with a two-phase approach to implementation. This will provide scope for further streamlining once the two year main implementation period is complete.
- 9.13. The table which follows Paragraph 9.14. sets out a possible senior structure and its alignment with corporate priorities and cross-cutting themes. There can be no ideal collection of relevant activities. Therefore, the criteria for the groupings is important to what the Councils are trying to achieve. In developing the table below, three design principles were applied as follows:-
- i) Each Strategic Director and the Chief Executive will have responsibility for one of the four recommended shared Corporate Priorities.
  - ii) Each Strategic Director will have a portfolio to include both front line and support services within their group.
  - iii) So far as possible, there should be some synergy between the service blocks managed by each Strategic Director.

9.14. The structure set out below is just one that might be used to serve both Councils in the future. The detailed structure will need to be further considered and refined as the shape of the new management structure is clarified through the appointment process.

<b>Strategic Director (SD)</b>	<b>Possible Service Blocks</b>	<b>Possible Corporate Priorities</b>	<b>Possible Cross-cutting topics</b>
<b>Chief Executive</b>	<ul style="list-style-type: none"> <li>• Strategy, Performance, Business Transformation and Human Resources</li> </ul>	To protect and enhance priority services	<ul style="list-style-type: none"> <li>• Maintaining good Member relationships</li> <li>• Changing the way we work</li> <li>• Partnership working</li> </ul>
<b>SD1</b>	<ul style="list-style-type: none"> <li>• Planning, Regeneration and Well Being</li> <li>• Legal and Democratic Services</li> <li>• Leisure and Cultural Services</li> </ul>	To revitalise, regenerate and create lively economies	<ul style="list-style-type: none"> <li>• Strategic regeneration</li> <li>• Strategic projects</li> <li>• Engaging in external relationships</li> </ul>
<b>SD2</b>	<ul style="list-style-type: none"> <li>• Facilities, Procurement and Property</li> <li>• Housing (HRA)</li> <li>• Recycling and Waste Management</li> </ul>	To promote a clean and green environment	<ul style="list-style-type: none"> <li>• Reputation management</li> <li>• Delivering the Efficiency Agenda</li> </ul>
<b>SD3</b>	<ul style="list-style-type: none"> <li>• Financial Services and Audit</li> <li>• Housing Need/Health</li> <li>• Customer Services</li> </ul>	To support and contribute to the health, safety and well-being of the area	<ul style="list-style-type: none"> <li>• Optimise opportunities through LAAs</li> <li>• Children and young people</li> </ul>

## 10. **IMPLEMENTATION**

10.1. Restructuring any single organisation can be complex and requires a clear view of how implementation will be achieved. To bring together the staff of two Councils in the way proposed unquestionably adds further complexity. As a result, this is proposed in two main phases, although there is a small but growing number of potential changes that could or may need to progress very soon after a decision is made by the Councils. Examples include Communications, Executive Office, Elections, Planning and Regeneration and Procurement. Other opportunities may arise and will require early attention and decisions.

10.2. During the first phase, in particular, there needs to be a strong business transformational resource and commitment to deliver the potential of new ways of working. If we merely group the current activities of both Councils under a single Manager, we can really only expect the savings of some of the management overheads.

- 10.3. Therefore, it is proposed to create a substantial business transformation function, located at the heart of the corporate organisation, for an initial two year period. Its purpose will be to rethink the way we do things, to assist Managers to unlock efficiencies and savings and to seek to maximise the degree to which services can be improved by new ways of working. Both Councils have some recent experience of business process re-engineering. In effect we will need to apply such techniques to the way we work on a more comprehensive basis.
- 10.4. Clearly this needs to be resourced. This team would be assembled by grouping existing staff with relevant skills to act as a powerhouse for driving business change. As such, it is best positioned as a unit within the Strategy, Performance, Business Transformation and Human Resources service block.
- 10.5. As mentioned in more detail elsewhere in this report, a decision to adopt a Single Senior Officer Structure will also create a substantial requirement for human resources expertise. This will be required in respect of creating a Single Senior Officer Structure alone, particularly in the context of the pay and grading review, but, to add business transformation to the process will substantially enlarge this requirement. As such, Human Resources is also best positioned as a unit within the Strategy, Performance, Business Transformation and Human Resources service block and resourced accordingly for the initial two year period.
- 10.6. It will be obvious from the foregoing analysis that the creation of a Single Senior Officer Structure at the same time as transforming the way we work is not a “quick fix”. Therefore it is important to strike a balance between getting it up and running quickly, to gain its benefits and savings, and taking appropriate care to maintain service standards while in transition.
- 10.7. It is, therefore, suggested that the following high level timetable is accepted as the broad guide to implementation:-

**Phase 1**      **Appointments and Project Planning**  
**(September 2007 – April 2008)**

- Quick wins implemented
- Terms and conditions agreed for new structure
- Targets and timetable for efficiencies agreed
- Pay and Grading Review outcomes considered
- Senior staff appointments and departures
- Project plans for service integration agreed

**Phase 2**      **Service Integration**  
**(April 2008 – 2010)**

- Programmed service block implementation
- Staff appointed to single employer
- Savings delivered 2008/09 to 2009/10

**Phase 3**      **Post Integration**  
**(April 2010 onwards)**

- CenSus decision
- Continuing transformation activities
- Continuing efficiencies

**11. CAPACITY TO DELIVER**

- 11.1. It should already be clear from previous discussions of these issues that the task of creating the proposed Officer structure has been delivered with assistance from outside bodies such as the Improvement and Development Agency (IDeA) and South East Centre of Excellence (SECE). However, the bulk of the hands-on work has been undertaken by Adur and Worthing Officers and Members.
- 11.2. Combined with the fact that there appear to be no experts elsewhere on this topic, the capacity issue we face for implementation is that of making it possible for Worthing and Adur to provide capacity for relevant staff to concentrate on this major change project. For this reason SECE have been approached with a request to provide substantial resources to “backfill” Officer time in key areas. These include Human Resources, Legal, Finance and Business Transformation, in particular. This will be required at different times for each of the skills and to some degree, the additional support can be phased over the life of the project.
- 11.3. At this point, recognition has been given by these external agencies to the importance of this work for local government as a whole. As a result there is some optimism that assistance will be given. In effect, this would be in exchange for Adur and Worthing playing an active role in passing on any lessons from this work (in truth this has already started with many requests to assist in various parts of the country, including at the recent Local Government Association Conference in Birmingham). An oral update will be given to Members of progress with this request.
- 11.4. If the external assistance is not forthcoming, this will have a number of impacts on delivery of the project. The first will be to necessitate an examination of the reserves or other priorities of the two Councils to find the resources or the capacity to move this forwards. Alternatively, it may slow down some of the transformational change that is needed to make the best of the new arrangements.

**12. CONSULTATION UNDERTAKEN**

- 12.1. Throughout the life of this project, effective and regular contact with staff has been a key part of the project. This has been undertaken in a variety of ways including staff e-briefings, staff workshops, Managers’ Conferences and other means. Such consultation has been undertaken on a regular basis since September 2006, when this project was initiated.

- 12.2. There have been crucial stages within the project, during which time additional consultation has been undertaken and this is also likely to be needed in the future. So far as the work between March 2007 and now is concerned, the consultation arrangements have continued and include the following:-
- A number of staff briefings at both Councils to which all members of staff have been invited.
  - Regular staff e-briefings designed to ensure that staff are fully up to date and kept informed about the progress that is being made.
  - Joint Managers' Conferences to which Senior Managers from both Councils have been invited to consider issues and progress.
  - A considerable number of staff workshops to consider many different issues in relation to the development of the recommended service blocks.
  - Briefings to political groups at both Councils at key stages of the project
- 12.3. Members are reassured that this consultation will continue as the project evolves. A Joint Managers' Conference took place on 2<sup>nd</sup> July 2007 (which leading Members attended) to ensure that Managers from both Councils are fully up to date with progress and the issues that are likely to emerge in this report. Furthermore, staff briefings at both Councils and at Commerce Way are planned to take place between 9<sup>th</sup> and 11<sup>th</sup> July 2007, in advance of consideration of this report. Overall, therefore, consultation and communication has formed a key part of this project and it will continue to do so in the future.

### 13. **CONCLUSIONS AND STRATEGIC CHOICES**

- 13.1. This report summarises the substantial work that has been undertaken to explore whether or not a Single Senior Officer Structure could enhance the performance of Adur and Worthing Councils in cost effectiveness and service provision.
- 13.2. This has confirmed the original Partnership Management Board's recommendations, as validated by CAPITA, that there is a case to move forward on. The task of implementing the overall project, if it is to maximise the change in the way the Councils operate, is a large one which clearly requires capacity. However, there is every prospect of achieving substantial savings at the same time as improving the way we work.
- 13.3. Owing to this complexity, there is no way that this exercise can, at present, produce a detailed business case that has a simple bottom line figure on which Members can decide whether or not to proceed. In a sense this will only be available once Executive Heads of Service have identified how they might complete integration within each of the service blocks. Commissioning this scale of work without the drive that will come from appointments to take

on the task and the setting of a target for savings would create longer uncertainty and little incentive to complete the task.

- 13.4. Therefore, Members have a high level strategic choice to make. This is based on careful research on the powers to move in this direction and financial probabilities and requires a degree of entrepreneurial judgement. It is the view of Partnership Management Board that the Councils need to decide how they wish to face the challenging future ahead of them:-

**Option 1** – A Single Senior Officer Structure, with shared services and specific targets for savings to be achieved over a two year implementation period.

**Option 2** – Separate Officer structures, seeking shared services to deliver targeted savings.

- 13.5. In the light of the research undertaken and the fact that there is such momentum already established within the joint working between the two authorities, Members will not be surprised that the Officer recommendations point in the direction of taking the important step to create a Single Senior Officer Structure, as set out in Option 1.

- 13.6. In the challenging resource future faced by the two Councils the opportunity to reduce management overheads, unit costs and to transform the way we work to the benefit of our customers is too good a prospect to ignore. However, it is acknowledged that this will not be easy and it will depend on the determination and goodwill of Officers and Members to deliver its full benefits, over a substantial period.

- 13.7. A final test of whether this is the right step to take at the present time is to contemplate the cost now of recreating separate management arrangements for the two authorities and undoing the beneficial work already completed on shared services and the savings from front line services that would be required to fund them.

#### 14. **RECOMMENDATIONS**

- 14.1. **It is recommended that SEMs considers this report and recommends that Adur District Council on 23<sup>rd</sup> July 2007 and Worthing Borough Council on 25<sup>th</sup> July 2007 agree the following:-**

##### **Strategic Recommendations**

- i) **subject to agreement being reached between the current Chief Executive of Adur/Interim Chief Executive of Worthing and the Joint Staff Committee, as to terms and conditions of service, with effect from 1<sup>st</sup> September 2007, the current Chief Executive be appointed as Chief Executive and Head of Paid Service for both Councils;**

- ii) the implementation of a Single Senior Officer Structure as set out in Paragraph 9.13., to serve both Councils and to the immediate implementation of the appointments process for the new management structure;
- iii) both Councils consider changing to four yearly elections for implementation by May 2011;
- iv) the use and implementation of any resources secured externally being applied to provide the necessary support to deal with the Human Resources, Legal, Finance and Business Transformation issues arising from implementation of the project;
- v) to establish four joint committees as follows:-
  - Joint Strategic Committee
  - Joint Delivery Committee
  - Joint Overview and Scrutiny Committee
  - Joint Staff Committee;
- vi) to adopt the Joint Committee Agreement, which should operate up until 31<sup>st</sup> March 2028;

#### **Recommendations on Finance issues**

- vii) once new Executive Heads of Service are in post, each service should produce a costed service specification which clearly identifies the current cost of service and the financial impact of the joint service arrangements;
- viii) both Councils jointly provide Internal Audit Services under contract from 1st April 2008;
- ix) both Councils authorise Officers to extend the current bank contracts for up to two years until the new business processes are clear and an exact specification can be drawn up;

#### **Recommendations on Human Resource Issues**

- x) the new posts be known as Strategic Directors and Executive Heads of Service, respectively;
- xi) the posts of Strategic Directors be ring-fenced to the current Corporate Directors employed by Adur and Worthing Councils and this is seen as a suitable alternative employment;
- xii) any Corporate Director not appointed as a Strategic Director shall be made redundant as of 1<sup>st</sup> April 2008 unless a relevant vacancy occurs at another level in the organisation, following ring-fencing;

- xiii) the posts of Executive Heads of Service be ring-fenced to the current Divisional Managers and Assistant Directors at Adur and Worthing Councils and this is seen as a suitable alternative employment;
- xiv) any Divisional Manager or Assistant Director not appointed as a Executive Head of Service shall be made redundant as of 1<sup>st</sup> April 2008, unless a relevant vacancy occurs;
- xv) the Executive Head of Financial Services be designated as the Chief Financial Officer for each Council for the purposes of Section 151 of the Local Government Act 1972, shall be employed by the single employer and seconded (for similar duties) to the other Council when the appointment becomes effective and both Councils agree to the appointment of two deputies, as outlined in Paragraph 2.5. (e) of Appendix 3;
- xvi) the Executive Head of Legal & Democratic Services be designated as the Monitoring Officer for each Council for the purposes of Section 5, Local Government & Housing Act 1989 and to be employed by the single employer and seconded (for similar duties) to the other Council when the appointment becomes effective;
- xvii) all other matters relating to the recruitment of staff at Chief Executive, Strategic Director and Executive Head of Service level be delegated to the Joint Staff Committee;
- xviii) the Human Resources Teams agree a recruitment process which will be validated by an external organisation and that an external Human Resources recruitment specialist be appointed to assist in the development and execution of the recruitment process;
- xix) the timetable set out in Paragraph 2.11.1. of Appendix 3 be agreed with the detailed timetable to be agreed by the Joint Staff Committee; and
- xx) the current posts of Chief Executive, Corporate Director, Assistant Director (Worthing) and Divisional Manager (Adur) be deleted from the establishment of each Council with effect from 1<sup>st</sup> April 2008.

14.2. It is also recommended that:-

- i) Adur District Council supports the recommendations from its Development and Scrutiny Committee, that Adur District Council moves to a Leader and Cabinet system of governance during 2007/08; and

- ii) **Worthing Borough Council agrees, in principle, to joining the CenSus Partnership, and to work towards joining appropriate services to the CenSus Partnership by April 2010, provided there are clear operational and business reasons for doing so.**

**ADUR AND WORTHING  
PARTNERSHIP MANAGEMENT BOARD**

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**Background Papers:**

High Level Business Case - January 2007  
Report from Capita - February 2007  
Report to SEMs and both Councils on the Adur and Worthing Partnership Strategy -  
March 2007

Strategy and Improvement Section  
Chief Executive's Department  
Portland House  
Worthing

ICE/ADSI/lja  
4<sup>th</sup> July 2007  
SingleOfficerStructure/SEMSReportFinalDraft.120707

## **APPENDIX 1**

### **Adur District Council/Worthing Borough Council priorities are:-**

1. **To protect and enhance priority services**
  - Provide quality, efficient, cost effective, customer focused, accessible services
  - Consult with and listen to our community
  - Create opportunities for people to participate in the Council's decision making processes
  - Explore and participate in partnership opportunities
  
2. **To promote a clean and green environment**
  - Improve appearance and cleanliness of the area
  - Promote investment in the street scene
  - Improve refuse and recycling service provision
  - Enhance and protect the environment
  
3. **To revitalise, regenerate and create lively economies**
  - Seek to identify sites and opportunities to increase housing provision of different types to meet the needs of our community
  - Maximise inward investment to create businesses and job opportunities
  - Regenerate neighbourhoods, town centres and business areas
  - Seek to influence educational attainment levels and opportunities for training in the area
  - Seek to influence sustainable transport and infrastructure
  
4. **To support and contribute to the health, safety and wellbeing of the area**
  - Work in partnership to reduce crime, fear of crime and anti social behaviour
  - Encourage a healthy lifestyle
  - Develop a co-ordinated approach to delivering sports, leisure, recreational and cultural activities
  - Target inequalities
  - Help educate, support and empower people to improve their quality of life
  - Work with communities, the voluntary sector and others to deliver general wellbeing

**Adur & Worthing Partnership Strategy**

**Financial Arrangements**

**Issues Update Document**

**1. Introduction**

(a) Issues outstanding from March 2007 High Level Business Case

Following consideration of the High Level Business Case report to SEMS on the 15<sup>th</sup> March, it was recommended that officers be authorised to progress immediately with the implementation of Phase 1 of the Partnership Strategy and both councils *“Agree that Officers refine the recommended service blocks, further develop appropriate financial and governance arrangements for Members to consider in July 2007 and investigate and seek external funding to help progress the development of appropriate financial arrangements in consultation with the Joint Working Party (Leaders and Deputy Leaders of each Council)”*.

- (b) Officers from both Councils have taken part in several workshops designed to prioritise the financial issues requiring further work, and to identify whether there are any issues which would prevent the Councils from moving ahead with the project.

The following are the main areas under consideration:

- Ø Financial Resilience
- Ø Financial Planning, Accounting and Budgeting
- Ø Annual Cost Allocation and Apportionment
- Ø Section 151 Officer (Chief Finance Officer)
- Ø Internal Audit
- Ø Pay and Grading Review
- Ø Structure and Capacity of the Financial Services Section – resources to deliver project
- Ø Payroll
- Ø Treasury Management and Banking Arrangements
- Ø Pension Contributions
- Ø Financial Regulations and Procedures
- Ø I.T. Systems

## **2. Strategic Issues requiring decision in July 2007**

2.1 The following issues have been discussed during the special finance workshops and it has been identified that a decision is required on some matters as the preferred way forward alongside the decision on the overall Partnership Strategy.

### **2.2 Financial Resilience**

- (a) Although there are many similarities between the two Councils, Adur and Worthing are not the same financially, especially when it comes to financial resilience. Worthing has a larger asset base and a policy of disposing of some assets where appropriate, and will benefit from the investment income generated from the proceeds of these disposals. In addition, Worthing has a far higher level of reserves. Consequently the two Councils could be faced with differing budget strategies and financial targets for savings. There are ramifications for those services delivered jointly as they could potentially be faced with differing financial challenges from each Council for what is essentially the same service.
- (b) There will have to be a tacit acceptance between the two Councils that the financial targets placed upon any joint services must be the same from each Council, consequently any residual target may have to be met by those services which remain unique to each Council (e.g. in Worthing the crematorium, leisure centres, or theatres). However, Members should note that Adur's Housing Landlord responsibilities are dealt with through a ring-fenced Housing Revenue Account. This will partially fetter the discretion of each Council to decide where savings will be made as they will be locked into an extensive partnership agreement which is predicated on the Councils continuing to agree upon the service standards. The extent of this issue will depend on the political vision of each Council, but agreeing a joint budget strategy for the joint services may, in the future, prove difficult if there are significantly different political visions in each Council.

### **2.3 Financial Planning, Accounting and Budgeting**

- (a) There will still be a requirement for each authority to prepare a medium term financial plan (MTFP), and also one for the new joint service, which will need to reflect harmonisation of what is expected by both Councils from the joint services.
- (b) To embark on this process both Councils need to agree common corporate priorities which flow into service priorities, and this will set down the financial and service framework in which the new joint structure will operate. It may be appropriate for both MTFPs and both Corporate Plans to be agreed at the same time.
- (c) Under the proposed new arrangements there will still be a requirement for individual budgets to be prepared and agreed for both Adur and Worthing Councils. This will be supported by budgets for the joint service, and it is likely that the first joint budget will not be set until 2009/10. Officers will need to spend some time identifying what will go into the joint budget, and agreeing baseline budgets and costs. It is imperative that there is an auditable, transparent mechanism for

identifying, in terms of cost, what each authority would be charged for its share of the joint service.

- (d) Before the individual Worthing and Adur Council budgets can be set, there needs to be a combined budget for the Joint Committee. This will inevitably make the budgeting process longer, and we will need to allow extra time for its completion. The opportunity would also be taken to build a slick SMART financial planning process. The process agreed will need to deal clearly with variations between the Councils and the Joint Delivery Organisation to deal with changes in standards / volumes / provision of service. There will also need to be a formal mechanism for identifying growth / savings / efficiencies, and a mechanism for ensuring that any savings / efficiencies are passed to Councils.
- (e) The attached chart at Annex 1 shows the strategic issues in graphical format.
- (f) There may also be different levels of service provision, due to differing priorities, financial circumstances or other local constraints. Depending on the nature of the service and the type of service differential, it may be difficult to accurately reflect these in any cost apportionment. From a managerial perspective it will also be difficult in some instances to maintain different level of service provision. Early research into the average cost of services using the Audit Commission VFM tool would indicate that there are few unexplained discrepancies between services.
- (g) Where such difficulty exists, the solution would be to have common standards, with the political commitment to accept a degree of compromise, otherwise there would be a potential danger of conflict in the cost allocation process with implications for the individual Council's budgets. The real benefits of shared services come if you have a shared service with common service standards.
- (h) The composition of the joint budget needs to be agreed. The front façade will reflect the combined service. But the build up of those budgets will reflect some very separate practical issues. For example, separate council tax, separate government grant, separate accounting returns, separate statistics, and for Adur the requirement to account for its Landlord function in Housing, within the Housing Revenue Account, must be statutorily separate.
- (i) Although jointly managed, both Councils will remain separate entities and there will be a requirement to keep and publish two separate sets of accounts. In reality whilst the management accounts will be jointly managed, the Council budgets and financial accounts will be separate.

#### **2.4 Annual Cost Allocation and Apportionment**

- (a) The allocation of costs, which would appear to be an academic discussion, takes on a new importance in the context of the proposed working arrangements between the two authorities.
- (b) Previously, the allocation of costs was annually revised by each authority to reflect up-to-date information on how support services and management time was being used. This could lead to swings in the allocation of costs between services. However, within the confines of a single authority budget there are no profound

ramifications to these movements, other than the need to explain why the change has happened. The reasoning behind this statement is fairly straightforward – in overall terms the cost to the authority is the total cost of the service, including the support services and management costs. Whilst the allocation of costs may change individual service costs, they do not impact on the overall total budget.

(c) In future, under the proposed new joint working arrangements, the allocation of costs becomes much more sensitive. Whilst there are many benefits in setting up a joint management structure and potentially joining services together, one of the consequences of setting up joint services will be that the Councils will now be paying a proportion of the cost of a joint service rather than procuring the service directly. The Councils must choose an appropriate basis for allocating the cost of each service. Changes in allocation will affect not just individual services but could affect each authority's budget (and final accounts). A gain for one authority will be a loss to the other under the proposed arrangement. There is no solution to this problem which will completely alleviate the risk to both authorities if the Councils are to comply with relevant professional guidelines and codes of practice. However, there are a number of measures which would help manage the risks.

(d) The following explains those measures:

(i) Code expenditure directly to services where possible to minimise the amount to be allocated and consequently the amount which could be subject to dispute.

(ii) Within the costs to be allocated, some will relate uniquely to services provided by one or other authority (for example theatre management) and some will relate to true joint services (for example AWS management). Those costs which relate uniquely to the services provided by one or other authority can continue to be allocated as present as changes in these will not affect the other Council. For example changes to how Theatre Management costs are allocated will impact upon the cost of each of the Worthing Theatres but would have no impact upon Adur's accounts.

Those which are true joint costs will need to be subject to differing protocols. As part of this it will be sensible to review the current structure of the holding accounts and where possible separate out those groups of staff which deliver the services of one Council, from staff engaged on joint activity, again to minimise any areas of dispute.

(iii) At the outset of defining the new joint services, the Service Head will need to produce a service specification which should include the following:

Ø The service specification – What are we delivering, to whom, to what standard, and how frequently?

Ø The existing staff structures and the proposed staffing structure required to deliver the new service.

Ø The existing cost of service analysed between Adur and Worthing.

Ø The new cost of service which should distinguish between costs which fall directly of Worthing, those which fall on Adur, and those which will need to be allocated between the two authorities.

- Ø The allocation basis for the joint service. The basis chosen should reflect the nature of the service delivered (for example number of invoices paid for creditors), and should be capable of being substantiated. For most services there will be several bases which could be chosen, and therefore the one which minimises the impact between the two authorities should be selected.
- Ø The overall impact on each authority's budget of the new service and cost allocations.

This will then determine the allocation of cost in the short term.

(iv) Where the allocation of costs is across both Councils, the over-riding principle must be one of stability. Consequently, having established a split of costs, this should not then be annually revised unless a trigger point is reached. Trigger points should include:

- The overall resources devoted to the service need to be increased to meet demand.

For example, it will be possible for the refuse and recycling service to accommodate a certain amount of growth in the number of households. However, a major development such as West Durrington may necessitate an increase to the number of refuse rounds and consequently increase the cost of refuse and recycling. At this point, the allocation of costs should be reviewed.

- The current allocation does not reflect the long-term trend in use of the service.

The base data used in the allocation of costs should be collected each year as part of the budget cycle, in order to substantiate any decisions on the review of costs and identify if a trigger point has been reached. If over a three year period it transpires that the original allocation does not substantially reflect the average 3-year allocation, then the allocation should be changed. This should enable each authority to manage temporary changes to the allocations due to items such as project work. However, it may lead to the perception that one Council is getting better value than another.

- There is a major change to the service specification.
- A review of how the costs are being allocated is requested by Members through the Joint Committee or Joint OSC

(e) However, it is important to note that there is no resolution to this issue other than to track the changes which are emerging. This will ensure that, where possible, the cost allocation basis is chosen that will minimise the differences and seek to balance out the impacts across the two Councils arising from individual services.

**Recommendation:**

**To assist Members in understanding and accepting the service costs arising from the new joint services it is recommended that each service produce a costed service specification which clearly identifies the current cost of service and the financial impact of the joint service arrangements.**

**2.5 Section 151 Officer (Chief Finance Officer)**

- (a) Under Section 151 of the Local Government Act 1972 (LGA 1972), every local authority is required to “make arrangements for the proper administration of their financial affairs and shall secure that **one of their officers** has responsibility of those affairs.” This is normally done by designating an officer to fulfil that role.
- (b) On a simple reading of S.151, a Section 151 Officer must be an officer of the Authority itself. However, Section 113 of LGA 1972 allows one Local Authority to place its staff at the disposal of another. Staff who are made available under such an arrangement are able to take binding decisions on behalf of the body to which they are seconded, although they remain an employee of their original Authority for employment and superannuation purposes. In addition Section 112 of the LGA 1972 enables Local Authorities to appoint such staff as they consider necessary for the proper discharge of their functions or another Authority’s functions which they are discharging.
- (c) Under these statutory provisions therefore a Section 151 Officer can be employed jointly by more than one Authority or be employed by one Authority and seconded to another or others. These options are considered in more detail below. Note however, that it is not possible for a S.151 designation to be made in respect of an employee of an external organisation which is not itself a Local Authority.
- (d) The above advice has been confirmed by the SECE and from Counsel’s recent opinion on this matter.
- (e) Clearly the role of S.151 Officer includes both legal and technical responsibilities, and there is external advice that, from a capacity perspective, two Section 151 Officers would be preferable. This is to ensure sufficient capacity for the dual responsibilities where the S.151 Officer would be required to represent both sets of interest. There is however, with a single S.151 Officer, real potential for conflict of interest in advising two councils.
- (f) There is, however, a real concern over the capacity of the S151 officer to carry out the role for both authorities. There will inevitably be pinch points during the financial year when the S151 Officer may well have difficulty in meeting the requirements of the post, principally when the Statement of Accounts is being signed off and when the budgets are being finalised.
- (g) The proposal for a possible solution is:

1. to have one S.151 Officer appointed by the single employing authority and for the other Council to designate that person as their S.151 Officer, to ensure appropriate authority to act for both councils;
  2. That S.151 Officer to appoint two deputies, each deputy having a specific overseeing role for one nominated council;
  3. In areas of conflict, where all three Officers designated cannot reach a resolution of any matter, then the Councils would seek external advice or some form of external arbitration.
- (h) Whilst this will put into place a robust dispute resolution process, it will not completely resolve the personal responsibility issues for the S151 Officer. If the S151 Officer finds themselves in an untenable situation, they may have to disengage themselves from one or other of the Councils so that they could not be unjustifiably accused of having an inappropriate conflict of interest. It is anticipated that such occasions would be rare and very exceptional and that they could be dealt with by the two Councils securing appropriate external advice.

**Recommendation:**

**It is recommended that both Councils agree to appoint a single Section 151 Officer and support the appointment of two deputies as outlined in paragraph 2.5 (e) above.**

**2.6 Internal Audit**

- (a) Internal Audit is currently provided in both Councils under contract by the same external provider, Deloitte. Worthing's contract is due to terminate at 31<sup>st</sup> March 2008, and Adur has extended its contract by one year so that it comes to an end at the same time.
- (b) Officers have discussed the practicality of entering into a joint contract to provide a common internal audit service to each Council, within the context of moving to a joint officer structure and fully shared services. The conclusion is that a joint internal audit contract is a feasible prospect and that work should commence now to draw up a specification based on each authority's existing specifications.
- (c) The value of the combined current contract is such that we need to follow the set down external tender process. Worthing has agreed to lead on the preparatory work and is likely to be the lead Council for the contract. It is anticipated that costs may reduce due to the requirement for less management of the contract and in the longer term as the business processes are harmonised, we would expect the fee to decrease.

**Recommendation:**

**It is recommended that both Councils agree to the joint provision of Internal Audit Services under contract to be effective from 1<sup>st</sup> April 2008.**

## 2.7 Pay and Grading Review

- (a) Clearly in financial terms the impact of harmonising pay and grading across the two Councils is an important factor to be taken into account. At the present time it is not possible to firmly establish the financial impact of this review, as although the job evaluation work has been completed, the pay modelling is still in progress. To enable shared services to work effectively it is imperative to harmonise remuneration for equivalent posts in each work area. Implementation by one authority may lead to higher costs when integrating services later. In the same vein, it would be advantageous to have common redundancy policies.

## 2.8 Structure and Capacity of the Financial Services Section - resources to deliver project

- (a) It is the view of your officers that the new combined Financial Services Section should be in place as soon as practicable to be able to support the other services and the joint organisation as it comes into being. In the present organisational structures, each Council has a post of "Head of Financial Services" or equivalent, which in Worthing also takes on the Section 151 Officer responsibilities. The current post-holders do not only manage their respective sections but are involved in numerous practical/operational tasks that they each undertake. Going forward the proposal is to have one Head of the Financial Services.
- (b) Officers suggest that even if the equivalent of both of the current posts is left in the structure, there are significant, substantial additional pieces of work coming up as a result of partnership working that will require additional capacity:

- Ø 2 sets of statutory accounts,
- Ø 3 Medium Term Financial Plans,
- Ø 3 budgets and associated management accounts,
- Ø costing of service specifications,
- Ø far more complex budget and cost allocation processes to support,
- Ø adapting existing systems,
- Ø possibility of implementing new systems,
- Ø change management.

These will clearly be over and above existing financial arrangements and interim assistance will be required to deal with these matters.

- (c) Officers have identified that this is a real issue of capacity, likely to require an additional accountant for a period of two years to deal with these change management aspects. There may also be a need for further capacity if it is decided to introduce one financial system, although the amount of additional resource needed would be dependent on a number of factors including timescale.

**Recommendation:**

**It is recommended that both Councils recognise that there is a real issue of capacity in Financial Services, and that the existing full time equivalent staff complement remain in the new structure. In addition, there is a need for additional resources to be available to assist in costing all service specifications for the shared services programme and other tasks, therefore, a bid for an additional accountant for a period of two years to deal with these change management aspects is made.**

**3. Issues requiring attention prior to implementation of Joint Officer Structure and Shared Services Programme**

**3.1 Payroll**

- (a) Currently each authority has a different payroll system, Worthing has a hosted system, and Adur's is an in-house system. Worthing has been out to tender with Arun District Council for a new combined HR and Payroll system, but any further consideration has been put on hold pending a decision on the way forward in July 2007. However, Officers are firmly of the view that in moving to a single employer, it is essential that we have a single payroll system and a common method of service provision.

**3.2 Treasury Management and Banking Arrangements**

- (a) The harmonising of existing Treasury Management policies and procedures between the two authorities should be straightforward. However, there is a debate concerning how many bank accounts the new arrangements should have. Officers have identified issues, such as reconciling the bank account, assessing each Council's cash flow and producing each Council's balance sheet, which would be complicated if there is only one account. In addition, it is not clear whether it would be legal to collect Council Tax and pay it into an account which was not for that particular individual authority. The current banker's advice is that whilst it is possible to have only one account, it would be better to have a minimum of two – one for each authority.
- (b) Both Councils are due to renew their banking tenders later this year. Logistically and practically both authorities need to harmonise business processes before the Councils can tender, as until this exercise is completed, it would be difficult to know what would be specified in the bank tender. (For example, the two Councils have differing approaches to cashiering, Adur are implementing payment cards and Worthing has a payment kiosk). Therefore, the timing of the bank contract tender is an issue. Officers need authority to extend the current bank contracts for up to two years until the new business processes are clear and an exact specification can be drawn up.

**Recommendation:**

**It is recommended that both Councils agree that Officers are given authority to extend the current bank contracts for up to two years until the new business processes are clear and an exact specification can be drawn up.**

### 3.3 Pension Contributions

- (a) The Councils make very different contributions to the pension fund which reflect both the past decisions of each Council and the current make-up of each workforce:

	Adur	Worthing
Future Service Rate	12.7%	13.2%
Past Service Adjustment	11.8%	18.3%
Total Contribution Rate (2004 valuation)	24.5%	31.5%
Estimated rate from interim valuation	28.1%	35.4%
Increase in rate	3.6%	3.9%
Current pension fund deficit	£13.1m	£25.5m

It should be possible to establish the additional contribution required by Worthing to cover the current difference in the rates by liaising with the actuary. Simplistically, under a single employer with a single workforce, there is likely to be a merged single future service rate but with the past service adjustment recognised by different cash contributions from the two Councils.

### 3.4 Financial Regulations and Procedures

- (a) To make joint working work, it is necessary to harmonise both sets of financial regulations and procedures. It is suggested that external assistance could be brought in to perform this task and other system related issues. Both Councils currently have good financial working arrangements and there is a standard CIPFA model for Financial Regulations which can be adapted to local need. It is anticipated that it will not be difficult to bring these together and consolidate, and at the same time modernise the regulations, especially to reflect new procurement methods.

### 3.5 IT Systems

- (a) Both authorities currently have separate Financial Management Systems. Worthing's financial system is older but well developed, Adur renewed its system some two years ago, but it is still being developed. From the outset, it must be stated that financial systems are fundamental to the organisational infrastructure. Discussions between the relevant finance officers have concluded that both Council's will need the same system in due course. An evaluation needs to take place of the options which include using either of the existing systems, buying into the County Council system or some other jointly provided system, or investing in a new / different system.

It is anticipated that over and above the additional staff resource referred to in 2.8, it is anticipated that a minimum of one FTE additional member of staff for a period of 2 years will be needed for the following issues:

- sorting out the coding structure will be a major task;
- communicating between the 2 authorities.

In addition a new system may require investment of at least £250,000.

## **4 Obstacles**

- (a) In recent workshops attended by senior finance staff from both councils, the following barriers were identified that need to be overcome to enable a single financial service to be successful. A number of these have been referred to in this paper.

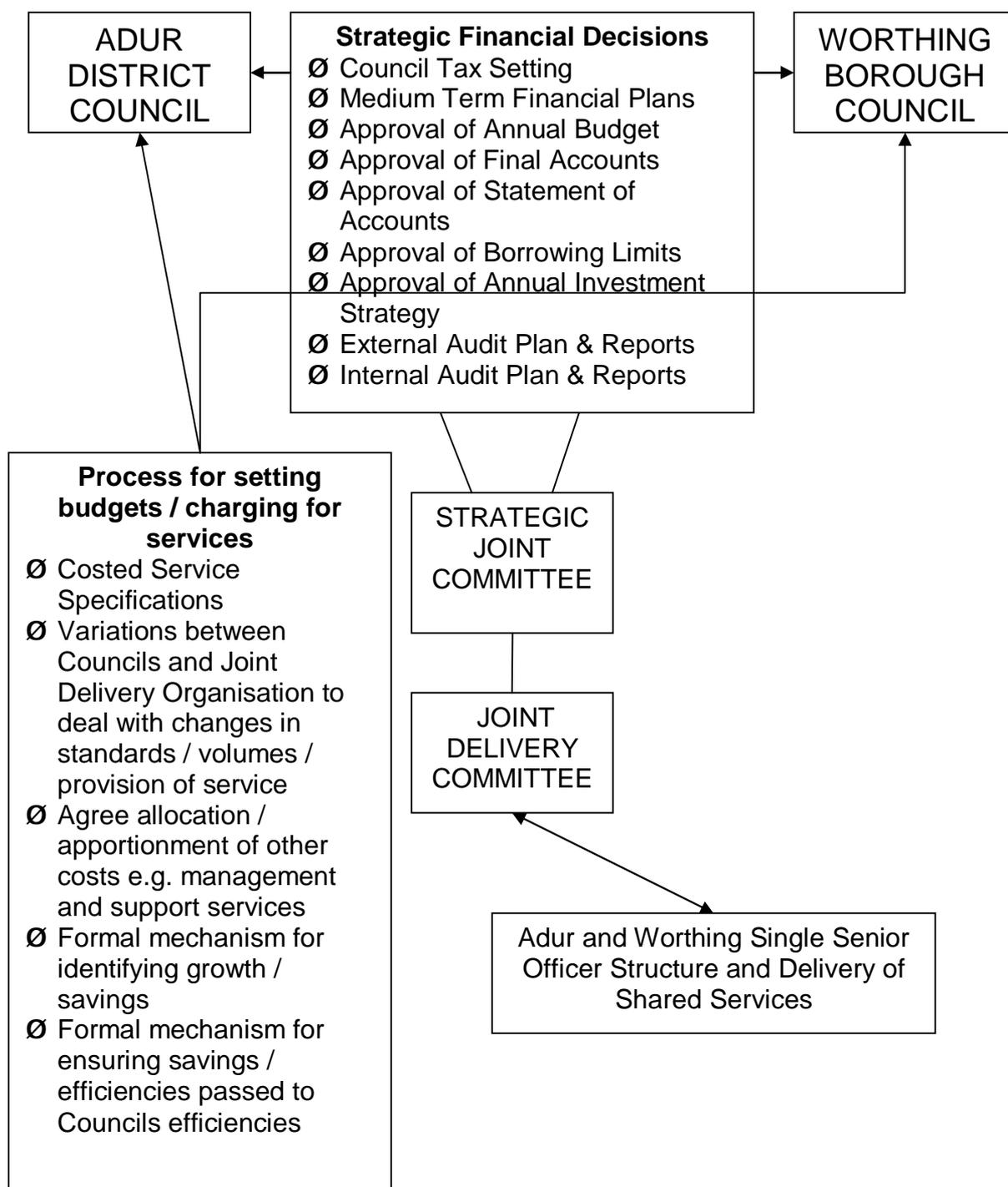
1. Section 151 Officer responsibilities
2. Technological issues need to be overcome – 2 systems currently into 1
3. Allocation of Costs and Benefits
4. Resources to deliver project and new processes
5. Accommodation
6. Staff Morale in a climate of uncertainty

## **5 Risks**

- (a) The difference in the financial resilience in each authority is a key risk moving forward. This may result in differing budget strategies and capacity to invest in the new joint services (see 2.2).
- (b) One of the major financial risks is the effect the allocation of costs in a shared service environment might have on each authority's individual budget (see 2.4). A stand alone authority can just absorb any changes. Officers have been looking at the possibility of having a no detriment principle for the transitional period, but this requires something to measure change against, e.g. net residual cost, net baseline budget. This will only apply where costs change as a result of allocation, e.g. where the allocation per head for Worthing increases and the allocation for Adur decreases, the overall cost 'pot' has not changed. No detriment is an interim measure whilst there are two separate services, to be revisited after looking at all services.

## **6 Conclusions**

- (a) The financial arrangements are particularly challenging and still need further work as outlined above. Officers from both Councils have developed some possible proposals as outlined in this paper.
  
- (b) The conclusion at present is that, whilst there is still much further work to do on the future financial arrangements over the coming months, there is nothing which prevents the Councils from going forward at this stage, provided that the risks and some degree of compromise are accepted. Officers are of the view that arrangements can be developed which will properly serve the interests of both Councils. Some of the work required will be substantial and complex. Consequently, further external assistance will be required, and external funding is anticipated to support this work. Such external support will be particularly important and could be helpful to the wider local government family. If councils are to develop partnerships like Adur and Worthing, then they will undoubtedly run up against similar complex problems.



## **APPENDIX 3**

### **1.0 Background**

- 1.1 Worthing and Adur Councils resolved on 27<sup>th</sup> and 29<sup>th</sup> March respectively to further investigate the creation of a Joint Officer Structure and requested a further report in July 2007.
- 1.2 If the two Councils agree in July 2007 that it is appropriate to progress to a Joint Officer Structure the timetable for implementation will be fairly short, with appointments of the three most senior levels of officers to be completed by December 2007.
- 1.3 The proposals in this report have been considered by South East Employers who have been able to verify them as meeting the statutory requirements and being reasonable.

### **2.0 Issues**

#### **2.1 Employer**

- 2.1.1 There are no overwhelming human resource, legal, financial or operational grounds for identifying either Council as being the preferred employer.
- 2.1.2 Counsel's opinion has been obtained which confirms that the two Councils, by making an amendment to their Officer Employment Procedure Rules, may, subject to the need to amend their respective lawfully recruit for the senior officer structure from the officers of the two councils without going out to public advertisement. The detailed proposal for this amendment will be considered by the joint meeting of Worthing's General Purposes Committee and Adur's Constitution & Audit Committee on 17<sup>th</sup> July.

#### **2.2 Redundancy**

- 2.2.1 Redundancy means, in practice, dismissing employees who are no longer needed by the employer because of the specific types of changes which have come about or are expected to occur. The statutory definition (s 139 Employment Rights Act 1996) is to the effect that an employee who is dismissed will have been dismissed for redundancy, " if the dismissal is wholly or mainly attributable to:-
  - (a) the fact that his employer has ceased or intends to cease:-
    - (i) to carry on the business for the purposes of which the employee was employed by him; or
    - (ii) to carry on that business in the place where the employee was so employed; or

- (b) the fact that the requirements of that business:-
- (i) for employees to carry out work of a particular kind; or
  - (ii) for employees to carry out work of a particular kind in the place where the employee was employed by the employer;

have ceased or diminished or are expected to cease or diminish.”

2.2.2 It is proposed that neither Council will require its current senior officers (Chief Executive, Corporate Directors or Divisional Managers/Assistant Directors) to carry out work for them as an individual Council to the extent that they have previously carried out that work. Therefore, in each case the particular kind of work has diminished.

2.2.3 Therefore, technically all the senior officers are subject to dismissal on the grounds of redundancy and entitled, unless redeployed under the Council’s redeployment policy, to redundancy pay. There is an exception if they obtain alternative local government employment within 28 days. If any of those made redundant are aged 50 or over then a premature retirement is triggered.

### 2.3 **“Slotting In”**

2.3.1 This may apply where the job description and person specification for a post is at least 70% the same as that for the post currently held by one post holder.

2.3.2 If the Councils agree to move to a joint officer structure, detailed consideration as to whether or not there are any posts in the new structure below Chief Executive where this should apply will be considered by the Joint Staff Committee at their first meeting on 7<sup>th</sup> August

2.3.3 The Joint Staff Committee will receive details of the current job descriptions and person specifications to be compared with the new job descriptions and person specifications. They will make a determination having received advice from the human resources recruitment specialist appointed under 2.12 above.

### 2.4 **Chief Executive**

2.4.1 The question arises as to whether the current Chief Executive can be ‘slotted in’ to the post of Joint Chief Executive.

2.4.2 Advice has been sought from South East Employers. (SEE)

2.4.3 If Adur were to be the employing Council then the current Chief Executive would expect to be ‘slotted in’ to the new post, as his role at Adur is the same as the new post, except that the new role will have enhanced responsibility.

2.4.4 The Local Government & Housing Act 1989 requires that Councils appoint on merit. SEE are of the opinion that the Council (Worthing) would have satisfied this requirement if they were to appoint without external advertisement. This is

on the basis that “the interim Chief Executive has been covering Worthing’s Chief Executive post on a secondment basis for some time now and this is a very good way to ‘test out’ whether he is suitable for the position. It is suggested that a wider selection process is unnecessary in this instance and that the interim Chief Executive can be slotted into the post subject to compliance with process below.

2.4.5 If both Councils are in agreement that:-

- (a) there should be no external advertisement;
- (b) the post should be ring-fenced to the current Chief Executive of Adur / Interim Chief Executive of Worthing;
- (c) that the post should be subject to a slot in

then it is recommended that to move the process forward the two Councils determine that the current Chief Executive of Adur / Interim Chief Executive of Worthing be appointed as Chief Executive for both Councils with effect from 1<sup>st</sup> September 2007 subject to agreement being reached between the current Chief Executive of Adur / Interim Chief Executive of Worthing and the Joint Staff Committee as to terms and conditions of service.

## 2.5 **Head of the Paid Service**

2.5.1 Section 4 of the Local Government & Housing Act 1989 places a duty on each Council to designate one of its officers as the head of their paid service and to provide that officer with such staff, accommodation and other resources as are, in his opinion, sufficient to allow his duties under this section to be performed. It is permissible, in the proposed arrangement for one Council to employ the head of paid service directly and to second the officer to the other Council for them to act as the head of the paid service of that other Council.

2.5.2 It is proposed that the appropriate officer to designate for this statutory role for each Council is the Chief Executive.

2.5.3 Section 5 of the Local Government & Housing Act 1989 places a duty on each Council (to designate one of their officers (to be known as “the monitoring officer”) as the officer responsible for performing the duties imposed by that section and to provide that officer with such staff, accommodation and other resources as are, in his opinion, sufficient to allow those duties.

2.5.4 It is proposed that, due to the legal nature of the duties imposed upon the Monitoring Officer, the appropriate officer to be designated for this statutory role is the Executive Head of Legal & Democratic Services.

2.5.5. Section 151 of the Local Government Act 1972 places a duty on every Council to make arrangements for the proper administration of their financial

affairs and to secure that one of their officers has responsibility for the administration of those affairs.

2.5.6 Section 113 of the Local Government Finance Act 1988 requires that the officer designated under S151 above shall be a member of one of the following bodies:-

- (a) the Institute of Chartered Accountants in England and Wales;
- (b) the Institute of Chartered Accountants of Scotland;
- (c) the Chartered Association of Certified Accountants;
- (d) the Chartered Institute of Public Finance and Accountancy;
- (e) the Institute of Chartered Accountants in Ireland;
- (f) the Chartered Institute of Management Accountants; and
- (g) any other body of accountants established in the United Kingdom and for the time being approved by the Secretary of State for the purposes of this section.

2.5.7 It is proposed that, due to the financial nature of the duties imposed upon the officer designated under S151 above the appropriate officer to be designated for this statutory role is the Executive Head of Financial Services.

## 2.6 **Ring Fencing of Posts**

2.6.1. On the basis that posts will not be externally advertised it is proposed that the Councils agree to ring fence the officers who may apply for posts.

2.6.2 The main reasons for this proposal are that:-

- (a) it will assist the Councils to retain good quality staff;
- (b) it will assist the Councils to save costs, as without ring-fencing it is possible that there would be increased redundancy costs; and
- (c) it will allow the process of appointments and the delivery of the partnership strategy to be completed more quickly.

2.6.3 The main options are:-

- (a) That all posts in the top three layers are ring fenced together (if Chief Executive is slotted in this does not apply to that post) and any Corporate Director, Assistant Director or Divisional Manager can apply for any post; or
- (b) That the ring fence is for the level of post and that below. In practice this would allow the Chief Executive, if not slotted in, to apply for Strategic Director and Executive Heads of Service posts; the Corporate Directors to apply for Strategic Director and Executive Heads of Service posts and the Assistant Directors / Divisional Managers to apply for Executive Heads of Service posts only; or

- (c) That the ring fence is limited to the same level of posts, therefore Corporate Directors can only apply for Strategic Director posts and Assistant Directors / Divisional Managers can only apply for Executive Heads of Service posts.

2.6.5 It is recommended that the cleanest policy would be (c) above.

2.6.6 In all cases any officer who fails to secure a post in the new structure will be declared redundant.

2.6.7 The procedure proposed in this report is in respect of the senior officers. Discussions are to take place with Unison on other posts on the basic principle of minimising compulsory redundancies.

## 2.7 **Redeployment Policies**

2.7.1 Adur and Worthing each have a redeployment policy or practice.

2.7.2 The Councils seek to avoid the need for compulsory redundancies. They provide for redeployment, retraining and salary protection for up to three years, if the new post is on a lower salary, if there is a suitable alternative vacancy.

2.7.3 The new posts of Strategic Director are seen to be suitable alternative employment for the current Corporate Directors, and the new posts of Executive Heads of Service are seen to be suitable alternative employment for the current Assistant Directors and Divisional Managers.

## 2.8 **Role of Members.**

2.8.1 Adur would expect Members to interview, select and appoint Corporate Directors and the Chief Executive. The interviewing and selection process is undertaken by a committee or sub-committee while the appointment is within the remit of the Full Council.

2.8.2 The normal practice at Adur is for Divisional Managers to be interviewed, selected and appointed by Officers.

2.8.3 Worthing would expect Members to interview, select and appoint Assistant Directors, Directors and the Chief Executive.

2.8.4 As this is a particularly sensitive series of appointments for Members and officers it is proposed that on this occasion Adur adopt the Worthing process and that the Strategic Directors be interviewed, selected and recommended to the two Full Councils by the Joint Staff Committee with external objective Human Resources support.

2.8.5 As this is a particularly sensitive series of appointments for Members and officers it is proposed that on this occasion Adur adopt the Worthing process and that the Executive Heads of Service be interviewed, selected and

appointed by the Joint Staff Committee, with support from the appropriate Strategic Director and external objective Human Resources support.

## 2.9 **Independent Verification of Recruitment**

2.9.1 Due to the particularly sensitive series of appointments and the possibility that staff who are not appointed will feel that they have been disadvantaged due to the Council by which they are currently employed it is proposed that there should be a degree of independence designed into the recruitment process.

2.9.2 The staff of the two Human Resources teams are capable of developing the recruitment process, but, in recognition of the sensitive nature of the appointments it is proposed that the process be validated by an external organisation such as SEE.

2.9.3 The appointment of an external Human Resources recruitment specialist to be in attendance throughout the selection interviews is believed to be important to ensure, so far as is practicable, that all applicants are satisfied as to the process.

2.9.4 The external human resources recruitment specialist will:-

- (a) work with the Chief Executive to develop, job descriptions and person specifications for the Strategic Directors;
- (b) work with the Chief Executive and Corporate Directors (prior to the 7<sup>th</sup> August meeting of the Joint Staff Committee ) to develop job descriptions and person specifications for the Executive Heads of Service;
- (c) advise the Joint Staff Committee at all stages throughout the recruitment process for the Chief Executive, Strategic Directors and Executive Heads of Service; and
- (d) attend all meetings of the Joint Staff Committee during the recruitment process.

## 2.10 **Timetable**

2.10.1 For the joint officer structure to be implemented as quickly as possible it is important that the joint senior officer structure is in place by 31<sup>st</sup> March 2008. To achieve this, the following timetable is proposed:-

- (a) Joint Chief Executive appointed by both Councils on 23<sup>rd</sup> and 24<sup>th</sup> July 2007 to be in post, subject to agreeing terms and conditions on 1<sup>st</sup> September 2007.
- (b) Consider outcomes of the Joint Pay & Grading Review in October 2007, (back-dated to 1<sup>st</sup> April 2007).

- (c) Strategic Director selection process to be completed by 14<sup>th</sup> October 2007.
- (d) Strategic Directors to take up post 17<sup>th</sup> October with any Director not appointed to remain in post assisting with strategic issues.
- (e) Executive Heads of Service selection process to be completed by 16<sup>th</sup> November 2007.
- (f) Executive Heads of Service to act in shadow capacity from 19<sup>th</sup> November 2007 and commence work on joining the remaining officer structure and preparing business cases for shared services.
- (g) 19<sup>th</sup> November to 4<sup>th</sup> January. Consideration of vacancies in the two councils and whether or not there are any appropriate redeployment opportunities.
- (h) Redundancy notices served by 5<sup>th</sup> January 2008 to take effect on 1<sup>st</sup> April 2008. (12 weeks).

## 2.11 **Legal Implications**

2.11.1 The Local Authorities (Standing Orders) Regulations 1993 and 2001 require the Councils to have standing orders relating to the appointment of chief officers. The regulations allow for the appointment of chief officers from the existing workforce of the two Councils without a public advertisement. This will require an amendment to each of the Council's Officer Appointment Standing Orders.

## APPENDIX 4

### PROPOSED SERVICE GROUPINGS - DETAILED SERVICES

<b>SERVICE GROUPS</b>	<b>MAIN SERVICE AREA</b>
1) Strategy, Performance, Business Transformation and Human Resources	Corporate Policy Performance Management Strategic Risk Management Media and Communications Overview and Scrutiny Management Support to the Strategic Management Team
	Business Transformation Human Resources Organisational Development Training and Development Occupational Health Equalities
2) Financial Services and Audit	Section 151 Role Internal Audit Accountancy Exchequer Services Worthing Housing Benefit verification and adjudication (until CenSus joined)
3) Facilities, Procurement and Property	Property and Estates Property Maintenance (non-housing) Engineering Facilities Management Coast Protection and Land Drainage Car Parking Highways Liaison
	Procurement
	Corporate Health and Safety
	Emergency Planning
	Business Continuity
	Information Technology

SERVICE GROUPS	MAIN SERVICE AREA
4) Leisure and Cultural Services	Parks and Open Spaces
	Leisure Facilities
	Contract Management - Impulse Leisure
	Crematorium and Cemeteries
	Theatres and Museums
	Foreshore Management
5) Housing (HRA)	Adur Watch
6) Planning, Regeneration and Wellbeing	Housing Management
	Development Control
	Strategic Planning and Transport Policy
	Economic Development
	Regeneration
	Town Centre Management
	Marketing and Promotion
	Building Control
7) Re-cycling and Waste Management	Community Wellbeing
	Community Planning
	Refuse and Recycling
	Street Cleansing
8) Customer Relations	Vehicle Maintenance
	Waste Strategy
	Customer Services
9) Legal and Democratic Services	Revenues and Benefits
	CenSus Relationship
	Legal Services and Monitoring Officer
	Democratic Services
	Electoral Services
	Land Charges

<b>SERVICE GROUPS</b>	<b>MAIN SERVICE AREA</b>
10) Health, Housing and Community Safety	Environmental Health
	Housing Strategy and Development
	Housing Need, Options and Advice
	Licensing
	Community Safety
	Street Scene and Enforcement

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