

COUNCIL MEETING – 5TH FEBRUARY 2025

AGENDA ITEM NO. 4

EXEMPT REPORT

LEADER’S REPORT ON FUTURE DIRECTION

Report of the Leader of the Council, Cllr Gareth Williams

SUMMARY

Following several independent governance and financial reviews in 2024, including the Corporate Peer Review, a CIPFA review of finance and a Solace review, the requirement to reduce costs was highlighted as an immediate pressure. One of the actions agreed by members was for the Chief Executive (CEX) to review the management structure. The CEX proposed an initial option to achieve savings. Whilst the organisational structure is a responsibility of the Head of Paid Service (HoPS), this first option was not acceptable to Members. A second option is proposed, which will make redundant the position of CEX.

This report is seeking approval to delete the post of CEX from the organisational structure of the Council. It is proposed to utilise the Council’s capital receipts for this purpose through flexible use of the capital receipts allowances.

The report, in addition, sets out for members the immediate proposal for appointing a new interim Head of Paid Service.

RECOMMENDATIONS

- 1 That Council approves the redundancy of the CEX based on the financial costs set out, to be funded from capital receipts.
- 2 That the Council notes the process to appoint an interim HoPS and the requirements for this individual to bring forward further options for restructuring, budget savings and plans to deliver the Council’s priorities.

1 INTRODUCTION AND BACKGROUND

- 1.1 In June 2024 the Council had its Corporate Peer Challenge (CPC). Following this CIPFA reviewed the Council’s approach to savings. Collectively these external reviews focused attention on the requirement for the Council to consider existing and emerging pressures and to explore all options to make savings to become financially sustainable in the short to medium term.

- 1.2 The CEX committed to review the Council's staffing structure. Whilst the predominant imperative for this was to consider any savings that could be made, there were other considerations that supported a structure review, this was captured in the CPC report:

The advent of a new administration with changes to portfolios as well as the financial challenges and inevitable re-focus of the regeneration work provides a good opportunity for the Council to review its structures and capabilities to deliver. With this, it may wish to consider whether to reduce overlaps between Cabinet portfolios and some services in order to have more streamlined relationships between Cabinet members and Service Managers.

(LGA Corporate Peer Challenge 24-27 June 2024)

- 1.3 This CPC recommendation, combined with other external imperatives, including:
- The changing national policy environment in areas such as housing, devolution, and local government reorganisation,
 - The evolving regulatory and legislative environment including, but not limited to, changing employment legislation and employee rights, planning changes, and
 - An increase in emphasis on local government performance, governance and transparency.

All set out the requirement for change, restructuring and cost savings.

- 1.4 Solace was engaged by the CEX and Leader to review the current structure and produce a suggested new structure. This formed the CEX recommended option for consultation. This option recommended flattening the senior management structure, through the removal of the two Executive Director positions and reconfiguring the Heads of Service. This option was withdrawn.
- 1.5 A second option, which recommends the redundancy of the current CEX, has been considered by the Leader. Mindful of real and perceived conflicts of interest, the Leader engaged the CEX of South East Employers (SEE), the Regional Employers Organisation for Council's in the south east of England to advise and assist the Council.
- 1.6 Section 2 of this report details the proposal and addresses the next steps for appointment of an Interim HoPS. Section 3 considers the financial and legal implications and section 4 shares for members the other options considered.

2 PROPOSAL

- 2.1 The Solace review into the structure, shared a view that a Council of the size of Rushmoor does not require a CEX and 2 EDs in addition to the Heads of Service sub-structure. Following the withdrawal of the first restructure proposal, this second restructure option continues the focus to make savings and is based on removing the position of CEX.

- 2.2 The removal of the position of CEX would require the allocation of £271,000 from capital receipts to fund the redundancy payment. The gross salary savings to be realised would be c£179,000. The use of capital receipts for efficiency or savings is permitted by the Secretary of State and this approach was agreed by Council in the budget report in February 2024.
- 2.3 Subject to the agreement of the Council, the formal process for redundancy would commence on the 6th February 2025, the notice period of three months would be served and the final day of service would be 5th May 2025.
- 2.4 The savings this option realises does not offer the same quantum of savings as the original proposal and does not deliver all the desired structural objectives. The proposal, therefore, needs to be seen as the first element of a restructuring to be followed by additional work to focus on the realisation of a more efficient and cost effective top three – four organisational tiers and a broader consideration of other efficiencies in ways of working.
- 2.5 This said, there is a compelling rationale for change that this option supports.
- a. **Changing national priorities:** The Devolution White Paper, Dec 2024, signals an approach that ultimately could see the dissolution of Rushmoor Borough Council and the transference of functions to a larger unitary council and the creation of a Combined Authority for a devolution deal. This option could save additional monies by realising the redundancy and cost savings for the Council early in the development phase process, noting the inevitable requirement for top tier redundancies in the later phase of the move to unitarisation.
 - b. **Affordability:** There is a requirement to make year on year cash savings. The Solace review into the structure, shared a view that a Council of the size of Rushmoor does not require a CEX and 2 EDs in addition to the Heads of sub-structure.
 - c. **Governance:** A recommendation of Solace was to bring the three Statutory Officers closer to services and that the MO be a qualified lawyer. The potential to improve governance arrangements remains in this option.
 - d. **Performance Management:** The requirement for a stronger focus on performance management remains and within the agreed option for the HoPS, and any further subsequent changes to sub-structures, there is a need to consider how best to deliver it.
 - e. **Efficiency & Productivity:** The CPC report identified that the Council performed well, but that fundamental changes were necessary, beyond this immediate change e.g.:
 - service managers empowered to fully manage their services areas, including all interactions with portfolio holders (and shadows)

- a shift from a perceived *meetings culture* to a more personal accountability and outcome focus
- Reduction of duplication between senior officers and greater clarity of responsibilities to address issues

2.6 There is a requirement for every Local Authority to have a designated HoPS. In most Local Authorities, the HoPS is the most senior role in an authority usually the CEX. There are a few variations to this where the most senior role in an authority is designated as a Managing Director (MD). As a general distinction the role of CEX tends to be a higher grade, have a far greater strategic element and be more outward facing, with a strong focus on external relations. An MD tends to be more inwardly focussed, usually at a lower grade, and tasked with ensuring the operation of the internal organisation aligns with strategic goals. The most notable Council with a MD is Birmingham City Council.

2.7 This option, to delete the role of CEX will require the allocation of the statutory HoPS responsibilities. Detailed consideration has been given to options to designate these functions. The preferred option is to delete the role of CEX and to create an interim, more inward facing MD role that, in view of the challenges facing the Council, focuses on prioritising:

- a. the organisational structure and efficiencies,
- b. the budget and realising the savings,
- c. delivering council priorities.

Given the importance of the above priorities, support for the Leader and Council in progressing work on devolution and local government reorganisation would sit outside this role to ensure no dilution of purpose and emphasis, potentially continuing to vest this priority with the Assistant CEX.

2.8 The proposed approach is firstly to run an internal process, amongst each of the Executive Leadership Team. If a suitable candidate comes forward and is selected, the plan is to consider role adjustments but not to backfill the role. If no one comes forwards or is felt to possess the capabilities and drive to deliver the fundamental priorities set out in 2.7 above, an interim candidate will be sought externally.

3 IMPLICATIONS

Financial

3.1 To implement this proposal the following estimates highlight the indicative costs. These costs can be funded from capital receipts in line with the rules relating to the flexible use of capital receipts. This is permitted following changes made in the Spending Review 2015, where the Chancellor of the Exchequer announced that Local Authorities could spend up to 100% of their capital receipts on revenue costs of transformation and as noted and agreed in paragraph 9.3 of the Council's approved budget report, February 2024:

“It is the Council’s proposed strategy for 2024-25 to use capital receipts for certain revenue costs where these directly lead to the delivery of an ongoing revenue budget saving or efficiency gain, including business transformation.”

Category	Amount £'000s
Current Budget for this role included in proposal	179
Redundancy payment (including pension costs)	271

3.2 The appointment or designation of the HoPS responsibilities will off-set some of these savings in the short term. The requirement to conduct and complete a full restructure remains one of the main, urgent priorities of the appointed role incumbent.

Legal Implications

3.3 It is a national requirement, captured in the Council’s Constitution, to agree redundancies of this scale and to ratify the appointment of the HoPS.

3.4 To appoint the HoPS the Constitution states that the Corporate Governance, Audit and Standards Committee (CGAS) shall appoint a cross-party member panel with at least one member from the Cabinet, which is not restricted to the members of CGAS. At its meeting in May 2024, CGAS delegated authority to the Corporate Manager – Democracy to make appointments to Member appointment panels in accordance with the membership criteria set out in the Officer Employment Procedure Rules. It is therefore proposed that a cross-party panel is appointed by the Corporate Manager following consultation with the Leader and the Chair of CGAS which will oversee the filling of the vacancy, interview candidates and recommend for the position.

3.5 Council will also need to consider who is appointed as Returning Officer for any future elections.

Equalities Impact Implications

3.6 There are no equality implications arising directly from this decision and any arising through the process will be dealt with in line with the relevant HR policies. Where necessary HR support and advice is being provided from South East Employees (SEE).

4 ALTERNATIVES CONSIDERED

4.1 While developing this option several alternatives have been explored and evaluated, as summarised in the table.

T2 and T3 changes	1. Remove the Executive Director posts and a reconfigured flatter management structure
Delete the CEX post	2. Create MD who is the HOPS
	3. Assign HOPS only

Maintain the CEX post	4. Joint CEX from internal personnel
	5. Shared CEX with a neighbouring authority

4.2 Summary of option evaluation

- i. Option 1 progressed to consultation but was withdrawn as elected Members were not in favour of pursuing the redundancies proposed at this point. It should be noted that this decision should not fetter any future reorganisation or restructuring options.
- ii. Option 2 is the preferred option presented in this paper.
- iii. Option 3 was discounted as the financial imperative to restructure and to make other significant financial savings was not possible with this light touch approach to assignment of the HoPS, without the focus of the role being clearly defined as restructure, financial savings and delivering priorities of the Council.
- iv. Option 4 was actively considered as a viable, short-term option. This was discounted as joint arrangements are less clear on accountability and responsibilities and can create more upward pressure on the political leadership to resolve issues if there is not a shared view between the joint CEXs.
- v. Option 5 was discounted as whilst this may be a viable option when more is understood about LGR and devolution it would take too long to negotiate to find a partner CEX in the immediate time.

5 CONCLUSIONS

- 5.1 The proposed approach delivers material revenue savings and promotes further changes that will support ongoing cost reductions and effectiveness of the Council.
- 5.2 The use of capital receipts for redundancy costs will allow the Council to make revenue reductions to the general fund contributing to the Council's savings target.
- 5.3 It is positioned as the first change of a broader restructuring and wider savings programme to secure the financial sustainability of the Council that the Interim Head of Paid Service will be tasked with developing.

**CLLR GARETH WILLIAMS
LEADER OF THE COUNCIL**