

Annex One: To Report “Revised Senior Officer Structure to support the Council’s Recovery and Improvement Programme”

Purpose

This annex sets out the key statutory requirements as they relate to the recommendations and seeks to provide further information in relation to how the financial sustainability of the proposals will be met.

Statutory framework:

The Local Government Act 1989 places a duty on every ‘authority’ to:

“a) to designate one of their officers as the head of their paid service; and
(b) 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.”

The act goes on to describe the duties of the head of paid service as “to prepare a report to the authority setting out his proposals” This covers:

“(a) the manner in which the discharge by the authority of their different functions is co-ordinated;
(b) the number and grades of staff required by the authority for the discharge of their functions;
(c) the organisation of the authority’s staff; and
(d) the appointment and proper management of the authority’s staff.”

The Local Government Act 1999 imposes a requirement on all local authorities to deliver “best value”.

It states, “Best Value authorities are under a general Duty of Best Value to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

Authorities need to be able to demonstrate that they are making arrangements that are economic, efficient and effective, and that it has regard to the need to secure continuous improvement in how it carries out its work.

The City Council has been reminded of the strength of this Best Value requirement set out in Section 3 of the Local Government Act (1999 Act), when central government exercised its functions with the establishment of the Improvement and Assurance Board for the City Council.

The Best Value Duty was again the basis for central government to act in the recent letter 23rd June 2022 from Department for Levelling Up, Housing and Communities (DULHC) informing the Council that it is minded to appoint Commissioners.

Our improvement Journey

Since 2020 the Council has been on an improvement journey that has been articulated in the Strategic Council Plan (SCP), the Together for Nottingham Plan (TfN), a four-year Medium-Term Financial Strategy (MTFS) integrated with a Performance Management and Reporting Framework that contains 17 Divisional Plans with clear accountabilities, timetable and objectives for delivery. A focus on governance has implemented a new constitution with associated training. Aligned to this is a Transformation Programme with a clear focus on economy, efficiency and effectiveness for service delivery outcomes.

The development of people has been core to this approach, this has included a new approach to managing organisational performance and to individual appraisals and learning programmes for different levels of staff, to increase organisational capabilities. All of these system changes are contributing to our ongoing cultural and operational transformation programme.

The logical next step is to think about the structure of the organisation and how that might be redesigned to reflect the absolute need to act as One council. This will support and integrate even further the improvements that have been achieved by the City Council, on our current journey working positively with the Improvement and Assurance Board. The right structure for the Council will also promote innovation and strategic thinking and ensure that key learning from the transformation programme is retained in the council and that approaches to delivering savings become 'business as usual' and enable the Council to develop further options around efficiency and effectiveness essentially embedding an approach that delivers continuous improvement and demonstrates our best value duty.

The restructure described in detail in the report "Revised Senior Officer Structure to support the Council's Recovery and Improvement Programme" has been designed to tackle the particular challenges faced by the City Council. Successful implementation will enable the Council to address the issues identified in the analysis conducted during 2021. It will ensure the Council is better equipped to cope with ongoing financial pressure as well as improve outcomes and experience for residents and staff. Implementing the restructure will enable the Council to adopt an approach that is consistent, streamlined, entrepreneurial, agile, innovative and ambitious. It will provide an opportunity to address existing inefficiencies in the way the Council is organised and operates. It will enhance the Council's capacity and capability to address front line service challenges – enabling specialists to focus on delivering better outcomes for residents, at the same time as improving efficiency and resilience within services and at a whole council level. Particular elements such as commissioning and procurement will provide an opportunity to achieve benefits at the same time as reducing the cost of running the Council.

We will still need to make significant savings in the coming years. Implementing the restructure will enable the Council to meet this challenge by reducing expenditure in certain areas by design. The consequences of not implementing the restructure are difficult to quantify. To some extent, the Council has been attempting to achieve the benefits described above, but without the coherence of an integrated structure and systems approach. If the Council decides not to pursue the more structured approach described in this report, or opts for a partial implementation, then it is highly likely that the required reductions in spending will have to be apportioned out across existing services.

Following a structured and coherent programme and investing in the right level of functional posts and enabling technology, enables more effective benefits management for both identified savings and future savings. It offers the Council the best chance of securing a strong and sustainable future by operating in more standard ways in areas such as procurement. The new structure is required not only to implement but to maintain new ways of working. This way the Council will deliver on its strategic objectives and playing its part in improving the lives of everyone living and working in Nottingham.

The nature of the recommendations in this report are very different from something like a specific service proposal and as such developing a corresponding 'line for line' business case is not possible. The successful implementation of the structure will however ensure the Council is able to meet its best value duty and prevent it from falling into failure in the future. This is particularly the case in areas of activity that are central to the effective and efficient operation of the council, but where NCC lacks sufficient strength – such as commissioning, procurement, finance and legal services.

Organisational Considerations

These are key elements of the Council's overall operating model. Work has been undertaken to redesign ways of working in areas such as procurement and commissioning that have highlighted both capability and capacity gaps.

It is useful to remind ourselves that when there is movement in top layers of the organisation it means that it affords opportunities for movement in other layers as well. This is important in Nottingham where the two spinal points in the pay scale restrict such opportunities for progression and career development.

There is need to reduce costs as a result of declining funding year on year. This will inevitably mean a significant overall reduction in job numbers as well as people taking on broader areas of responsibility in order to manage financial sustainability within a pay bill envelope which is unlikely to grow significantly (beyond unfunded centrally agreed pay awards).

We are seeking to improve aspects of economy, efficiency, effectiveness by:

- Reducing duplication within and across jobs, functions and teams and develop the business systems required to enable optimum outcomes
- Improving the design and grouping of jobs for purposeful alignment with strategic outcomes
- Ensuring our staff are the right people with the necessary skills in the right places producing desired outcomes and subsequent reduction in the use of consultants
- Strengthening and integrating our approach to SCP, TfN, MTFS and Transformation so that they are clearly managed as well as reported on.

Getting a redesigned structure is a vital part of our best value and improvement journey. Key elements in the redesign are the changes that need to be made in commissioning and procurement as well as additional support in finance and legal/constitutional services coupled with enhanced performance management.

Financial Considerations

The additional costs to the senior management structure have been re-assessed from £1.3 million to circa £1.1million. This reflects that income has been included for those posts eligible on the basis that the post in question will only be established for the duration of the income stream.

£1.1m represents 0.61% of the total NCC paybill of £180 million and needs to be seen in the context of the clear benefits and opportunities that a robust structure will deliver.

There are a number of areas where additional senior management capacity is needed to embed and further develop the early transformation work. This capacity is essential to embedding economy, efficiency and effectiveness as business as usual for the council and, therefore, a necessary investment to produce additional business case-based savings and efficiencies in the future.

Commercial Procurement and Contract Management

In relation to procurement the creation of a Commercial, Procurement and Contract Management (C, P & CM) function has been proposed as a part of the transformation programme.

The lack of ownership of the Council's companies and the lack of a Commercial Strategy as well as reductions in commissioning and procurement staffing have been a significant contributory factor in poor procurement and compliance which both the PIR and IAB have consistently expressed concern about. The new Commercial, Procurement and Contract Management operating model and ways of working directly address these concerns both in structure and in levels of resourcing.

The additional senior management costs associated with this proposal equate to £272k which includes a Director post to oversee the delivery of a comprehensive programme of improvements to the way in which the Council undertakes Commercial, Procurement and Contract Management activities.

It is anticipated that this Director post may only be required for a temporary period of around two years. However, consideration will need to be given as to what form of commercial leadership is needed beyond this point in order to safeguard the sustainability of previously delivered savings, identify and deliver new ones and to align to national initiatives related to improving procurement and commercial capabilities across Local Government.

There are already identified transformation savings in the MTFP of c£400k for procurement but a well-structured and resourced Commercial and Procurement function will lead to new opportunities and benefits being realised.

Over 70% of NCC's annual revenue budget is spent with in excess of 3,500 external suppliers and third parties and as a consequence the Council carries a significant amount of exposure to a wide range of challenges (both broad and specific) faced by its supply chain and supply markets. PWC's review of contacts based on benchmarking NCC against other authorities identified a potential for circa £4m of additional savings through a properly resourced procurement team and improved procurement and contract management processes. Effective procurement and contract management will be critical to enabling the Council to manage the significant risks that it faces in the wider economy (principally unprecedented general inflationary pressures and workforce shortages).

The high-level benefits of this strategic approach are summarised below and these posts will be required to fully realise these benefits and to develop plans beyond those in the initial transformation programme to generate opportunities for further third party spend reductions.

- **Ownership of the Shareholder Unit and the Development of a Commercial Strategy** – more money transacts through Council owned companies than the net budget of the Council and the Council has high dependency on Commercial activity with little evidence of an underlying strategy. Government is now not supportive of ambitious and often risky commercial activity by councils and this workstream will help demonstrate strategic benefits and effective risk management.
- **Move to a more consolidated organisational model** - in order to allow for professionalisation, consistency and a reduction in duplication of effort. A consolidated Strategic Hub will be created which will enable services to focus on improving user outcomes.
- **A strategic approach to spend management** - by empowering services to self-manage some of the more operational procurement and contract management activities (with the right guidance, processes and controls in

place), the Council will release more time for the C,P & CM function to focus on strategic, high value projects.

- **A single repository of contract and spend data** - the Council and associated organisations will have a system that contains a single, highly automated source of category spend data. This must be trusted by all stakeholders, and able to support a number of analyses of spend. This will be a key tool in driving the delivery of further third party spend savings and efficiencies.
- **Establishment of a group for cross-departmental collaboration** - a new governance mechanism, the Commercial Oversight Group (COG) has been designed for the new function. This will have greater relevance and power in order to provide advice and improve outcomes, whilst managing risk and spend. It has been designed to be seen as an enabler rather than a blocker.
- **Future-proofed model** - modular design means that C, P & CM function resource can be quickly scaled based on increased spend/demand in a certain category, or new categories.
- **Trained and specialised resource with a clear development path** - The new C, P & CM organisational model will have clear progression opportunities for staff to develop both general provision skill-sets through to category specific specialisms at more senior levels.

Procurement alone represents £131 million from the revenue budget and the spend proposed of £272k represents only 0.2% of the total spend. The overall spend when capital and spend from associated organisations such as NCH and Schools is considerably higher and significant opportunities exist from across these areas.

Commissioning

The additional cost for the proposed senior management posts in commissioning equate to £285k. Establishing a strong strategic commissioning function will ensure the council remains focused on outcomes in the medium-term and that the short-term efficiencies and cost reductions being identified and delivered in the Adults and Children's Social Care domains remain in line with its service and place-making priorities.

It's through strategic commissioning that the council can, over time, move more of its resources into better prevention and also ensure the voices of Nottingham's residents are at the centre of that long-term planning. Overall, an effective strategic commissioning function will allow the council to:

- Reallocate core staff to prioritised outcomes
- Refine project/programme management, risk management, contract management and service delivery skills
- Implement demand management and service delivery disciplines

- Set up strong governance discipline and predict longer term costs against pre-defined council objectives
- Facilitate joint and proactive problem-solving and innovative practices
- Secure the benefits of partnership opportunities with the NHS, VCS and communities and citizens.

While not as developed as the transformation activity in procurement a fully resourced Strategic Commissioning function with enhanced capacity and capability in the areas that NCC are currently lacking will deliver the following financial and non-financial benefits set out below.

Financial Benefits

A properly resourced and experience senior staff cadre will inevitably lead to a range of financial benefits including:

- Better engagement and relationships with Providers which can lead to better cost negotiations ie block purchasing, discounts for multiple placements
- Streamlined commissioning standards from a core central team which can lead to smarter and more efficient processes and forward planning
- Implementation of an overarching system shift strategy which focuses bolstering and developing the voluntary sector with people accessing services that already exist leading to less reliance on social care
- More focus on prevention and therefore fewer children and adults needing Social Care intervention
- More focus on modelling demand, supported by Finance, which will result in better planning and more streamlined efficient process which will require less administrative support and effort.
- A focus on 'personalisation' and with that people brokering their own packages of care utilising assets in the community
- A move towards greater system integration working more closely with Health and Nottingham County Council which may result in jointly funded posts and less direct financial costs to Nottingham City Council

Non Financial Benefits

- Better outcomes for residents
- Consistent Commissioning standards across the Council
- Better staff development opportunities and ability to attract and retain talent
- More connected and resilient communities in local areas
- More effective partnerships and delivery across systems
- A stronger, more strategic commissioning function better able to enable value for money, better outcomes and capitalise on market opportunities for the City of Nottingham in the future
- A future proofed model better able to fully integrate with place-based partners in the future

The additional cost of £285k should be seen in the context of spend on commissioning, which in the people's directorate alone is £157million. The additional cost of commissioning leadership equates to 0.18% of the total spend and it is a reasonable

to assumption that this investment in management capacity has the potential to deliver returns that more than cover the costs.

Crucially, the council is currently engaged in significant change and savings plans in its Children's and Adults' services. While the cost of delivery of these savings in the first instance is contained within their current implementation plans, sustainability of the new practice and savings into the future is dependent on the effective view of the future and strong, preventative forward planning that strategic commissioning provides. Therefore, the maintenance of c.£9m savings from Adults' Services strengths-based reviews and over £15m of savings from the whole Children's Service transformation will be at risk without the establishment of a strategic commissioning function

Director of Customer

The transformation plans for the customer first programme and associated savings of £3.5million are well developed. The development of an effective and efficient customer function that supports citizens to be able to interact with the council in the way that suits them most will create a larger customer function that will need more strategic oversight. The uplift of the existing Head of Service to a Director gives the role greater prominence and seniority which should help to accelerate the delivery of the existing planned savings. The additional cost is £31k, this cost will be subsumed within the overall customer first transformation plan.

Chief Information Officer

Underpinning virtually all of the council's improvements to economy, efficiency and effectiveness will be a re imagination of the way technology is used and managed across NCC. Modern, effective digital systems and simple processes will be a core aspect of improved efficiency for all services. The development of core digital skillsets at all levels in the organisation will be important in embedding new ways of designing and delivering services. Moreover, the adoption of new technologies will need to be managed in a co-ordinated and strategic way, in order to maximise benefits and minimise costs.

To oversee the development of the digital strategy that is focussed and prioritised and delivers against the council's requirements, high level capacity is essential. It is therefore intended to create a Chief Information Officer at director level to lead and embed this work. After 18 months a further review will be undertaken to determine future requirements in relation to this role. The initial 18 months will be funded through transformation.

The cost of the Chief Information Officer is £120k per year and the opportunities for far greater digital and automation opportunities will bring some of the most significant savings as proposals are developed. The outline business case from PWC identifies potential staff savings (from across the Council) of c£245k and further efficiencies of between 2% and 4% of the overall £18.7 million annual spend on IT, a minimum of £374k.

Director of Housing

The creation of a Director of Housing is a key part managing of the Council's response to the issues raised in the Section 114 notice and subsequent reports and will be essential to successfully pulling together of housing functions from across the council and the planned insourcing of NCH. The HRA will fund 50% of this, additional costs to the Council are £60k.

Given the escalating social and financial costs in this area providing strategic leadership to the housing function is increasingly urgent.

Efficiency and Effectiveness

The importance of the best value duty alongside the recognised needs for improvements around performance, governance and financial administration outlined in the Together for Nottingham plan cannot be underestimated. There are a number of posts in the proposals that play a key role in strengthening these key improvement areas but it is more difficult to make a direct link back to specific spend/benefits. These include an increased focus on performance management and necessary supporting strategy and policy frameworks reflected in the increased responsibility and upgraded Director for Policy, Performance and Communications (Assistant Chief Executive), posts to support the Chief Executive and Corporate Directors with general 'business' management, an increase in senior management support for the governance function and some additional administrative support for the new director posts. The costs of these additional posts / upgrades is £348k – this is less than 0.2% of the Council's total pay bill.

A significant proportion of the additional £1.1 million spend (c£750k/68.2%) can be seen as directly contributing to specific areas of transformation / improvement work like company governance, procurement, commissioning, digital and customer and will, over time, develop plans that deliver improved ways of working, further efficiencies and potentially significant additional saving.

The remaining costs (c£350k/31.8%) from housing and more generic posts are more difficult to demonstrate a specific return, however they support the improvement of keys areas identified in the Council's improvement plan and will play a key role in the council being able to deliver its statutory best value duty going forwards.

Of the £1.1 million additional cost c£270k is one-off or covered by transformation savings, the remaining £850k will be an additional cost to the revenue budget/general fund. This additional cost, to enable the Council to operate effectively and efficiently and to deliver its statutory best value duty equates to 0.47% of the Council's pay bill.

The costs of not making the necessary investment in these structural changes are immeasurable in terms of our reputation, credibility with a wide range of stakeholders, time spent on dealing with failure demand and outdated and inefficient working practices.

Summary financial position: Table One

1	REVENUE COST			ESTIMATED SAVINGS	
	2	3	4	5	6
Area	Revenue cost per year £'000	Other p/year £'000	Funding source	Already Identified transformation savings £'000	Potential additional savings (no business case yet) £'000
Procurement	£153	£120	Transformation	£2,452	£4,000
Commissioning	£285				
Customer		£31	Customer first	£7,187	
Chief Info Officer		£120	Transformation		£620
Director of Housing	£60		50% HRA		
Business & performance CD's/CX & Directors	£348				
Business Support				£3,760	
Children's				£16,549	
Adults				£3,484	
SUB-TOTAL	£846	£271			£4,620
TOTAL	£1,100			£33,432	

NB: The potential savings shown above are based on PwC's analysis of NCC costs compared with benchmark based on historic data. It would subject to a more detailed business case taking account of both delivery costs and current high levels of inflation before this figure can be confirmed. The figures relate primarily to procured services but the potential for financial opportunities in commissioned services clearly exists, particularly in relation to co-commissioned services with health partners.

Additional managerial capacity will provide critically needed resource to ensure the sustainability of the Council through innovation, new models of delivery and achieving our best value duties.

The identified savings in Table One will be delivered through the current transformation resources and already form part of the current MTFP.

Additional savings of £850k needed to fully fund this proposal will be met from the Council's Financial Resilience Reserve in 2023/24 and from ongoing savings in the MTFP from 2024/25 linked to new models of delivery, efficient and more effective commissioning and procurement, an initial assessment of which is identified in column 6 of Table 1.