

Audit and Procurement Committee

27 October, 2021

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R. Brown

Director Approving Submission of the report:

Chief Executive

Ward(s) affected:

None

Title:

Framework for Organisational Change

Is this a key decision?

No

Executive Summary:

In November 2020 the Government introduced the Restriction of Public Sector Exit Payments Regulations 2020, more commonly known as the 'Exit Cap', which in essence restricted the cost of payments employees are currently entitled to receive if aged over 55 if they leave the local government as a result of redundancy or efficiency. The Government quickly rescinded the legislation which meant the 'cap' of £95k was removed. It is likely the Government will reintroduce the 'cap' in the not too distant future. In the light of these expected changes and the potential need to reconfigure services for efficiency, the process and governance arrangements for organisational change are being strengthened. This report provides the broad details of the framework being introduced which provides this additional governance and oversight that is being established.

Recommendations:

That the Audit and Procurement Committee notes the revisions to the reorganisation process, its reasonings and responsive approach to the context in which the Council is operating.

List of Appendices included:

Business Case Proforma

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Framework for Organisational Change

1. Context (or background)

- 1.1 Restructures and reorganisations are commonplace in any organisation, necessary to ensure services are designed to deliver the services or product required within the relevant cost envelope. There are legislative requirements that any organisation has to follow in undertaking such a review as well as pension entitlements and relevant terms and conditions. The City Council also has a number of policies which outline our approach and processes.
- 1.2 In November the Government introduced the Restriction of Public Sector Exit Payments Regulations 2020, more commonly known as the 'Exit Cap'. This legislation in essence restricted the cost of payments employees could receive if aged over 55 as they are entitled to immediate early payment of their accrued pension benefits. These pension benefits cannot be reduced, despite being paid earlier than they would otherwise be. Instead the additional costs arising from early payment of pension benefits (commonly referred to as the '**strain costs**') must be met by the Council in the form of a lump sum payment to the West Midlands Pension Fund. If the employee leaves as a result of redundancy they are also entitled to a redundancy payment. The legislation capped the payments at a total £95k for the over 55's group. This is a challenging area due to the workforce profile as 47% of the workforce are aged 50 and over.
- 1.3 Many local authorities including Coventry took measures to amend governance arrangements to reflect the change prior to the Government then rescinding the legislation in February 2021. It is expected that following further consultation the Government will re-introduce the legislation shortly, although there is no clear time frame as yet.
- 1.4 Whilst there is this hiatus there is the potential need to reconfigure services for efficiency or smarter working reasons and with the make-up of the workforce, a revised framework to increase and strengthen the process and governance arrangements for organisational change has been introduced.
- 1.5 There are a number of policies and processes in place to support organisational change, with the starting point being the development of a business case, equality impact assessment and consultation plan for the affected staff and trade unions.
- 1.6 The intention is to further improve these arrangements by managing all services changes and re-organisations through a revised framework. This framework has a new business case format which now requires the Directors of Finance and HR sign off prior to consultation to ensure consistency of approach, that all the costings have been completed, and to demonstrate full consideration has been given to the proposals and their implementation before any consultation or change process can commence.
- 1.7 Further approval will then be required after the consultation process has concluded and actual changes are made.
- 1.8 Along with those changes, the redeployment process is being strengthened so there is a clear process which will provide alternatives to redundancy to avoid losing knowledge and skills that could and should be retained with the Council. As a result, the related policies and processes are being reviewed and revised if required to make sure they are fit for purpose. They will, where appropriate be subject to consultation with the trade unions.
- 1.9 Through making these changes, it provides assurance that the Council internal processes are being robustly managed to support and make change in accordance with the relevant legislation.

Recommended proposal

The recommend option is for the Committee to note the changes being made to reorganisation processes in order to strengthen the process and ensure where able appropriate skills and knowledge are retained, redundancy not being the only option and where appropriate efficiencies are generated in the most cost-effective way.

2. Results of consultation undertaken

The revised position has the approval and support of the Chief Executive and the One Coventry Leadership Team.

3. Timetable for implementing this change

These are being introduced with immediate effect, any changes in policy will be subject to the usual consultation process.

4. Comments from the Director of Finance and the Director of Law and Governance

Financial implications

Large public bodies such as the City Council will require organisation restructure on a periodic basis to ensure that they remain fit for purpose. Such change is likely to incur financial cost as a result of the legislative and regulatory protections in place and the Council currently has financial provision in place to manage such costs. However, it is important to ensure that these changes are managed within a reasonable cost envelope and that options are considered that provide good value for money. The revised framework proposed within this report seeks to achieve that.

Legal implications

The proposed framework will provide an additional level of internal control to ensure proposed reorganisations have robust business planning from the outset. The requirement to seek Council (currently delegated to Audit and Procurement Committee) approval for any severance package exceeding the £100,000 threshold remains.

5. Other implications

None identified.

6. How will this contribute to achievement of the Council Plan?

The changes support the priority of ensuring best value.

7. How is risk being managed?

Two key risks have been identified:

Organisational Continuity

Through the use of redeployment there is the opportunity to retain knowledge and skill where possible if employees are displaced through a reorganisation or for a health reason. It is recognised that currently there are a number of services which are considering changes this is a 'known' risk particularly because as an organisation the Council is aware of the need to succession plan and utilise our talent more effectively. Going forward service changes will need to be 'self-funded' or create a saving.

Media Attention

Organisational changes can attract media attention due to the nature of the change, cost which may be picked up through the annual Pay Policy Report which the Council is required to publish or because employees or trades unions bring it to their attention.

A pro-active communication plan will be put in place to manage any publicity, emphasising the need to reach financial balance, rationalising management overheads and protecting frontline services wherever possible.

8. What is the impact on the organisation?

The impact will be to strengthening of the reorganisation process and the assurance that any such proposal has been effectively reviewed and challenged before consultation or change commences.

9. Equalities / EIA

There are challenges attributed to this process that relate to the age of the workforce which is one of the protected characteristics under the Equality Act 2010

10. Implications for (or impact on) climate change and the environment

None identified.

11. Implications for partner organisations?

None identified.

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Martin Reeves	Chief Executive		15/10/21	15/10/21
Councillor Richard Brown	Cabinet Member for Strategic Finances and Resources.		18/10/21	18/10/21
Councillor Ram Lakha	Chair of Audit and Procurement Committee		18/10/21	18/10/21

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Business Case Format for Organisational Change

- 1) Introduction – Provide a brief statement on your intended activity, e.g. This paper sets out the proposed case for change within the [service area] to reflect the changing requirements/budget pressure in accordance with [reason]
- 2) Background to the Proposal – To include any significant information regarding the current context of the department [e.g. new/changed leadership, any reviews/audits that have been conducted leading to this proposal etc].
- 3) Scope of Review – Clearly identify the service areas and workforce, which are to be covered by the review process
- 4) The Rationale for Change – Outline the business case for change, including key drivers (e.g. financial, operational), how it is aligned to strategic priorities both at an organisational and departmental level, what is the expected impact of the changes proposed, impact of not making the changes. Include any data/information (or refer to additional documents or appendices) that support your reasons for change. These may include legislative imperatives, policy changes by the Council, or drivers for change identified by service users for improved services.
- 5) Current and Proposed Structure – including organisation charts to show both current and proposed structure, highlighting any key changes including where new roles are being proposed. Identify indicative grades and be clear to use roles rather than names of individuals. Include any unusual attributes such as locally agreed working conditions or terms of employment, service delivery models or other arrangements. Describe in detail what will be different about service delivery and how it will change the nature of the work in the service area, e.g. transfer of activities to a customer service centre, greater use of electronic service user engagement, transformation of service through the personalisation of service use, etc.
- 6) Alternative options - Detail other options considered (e.g. alternative structures) and why these are not being proposed.
- 7) People Implications - As a result of these changes (e.g. roles at risk of redundancy, roles required some level of amendment, regrading etc). Consider any wider implications regarding culture impact here. Set out in detail how the changes will impact on the workforce, by for example (using where appropriate appendices for more detailed data and documents) those employees deemed in and out of the scope of the changes and those that may be affected by the restructuring exercise and those not affected, numbers of posts in the current and proposed structures (in both full time equivalents and head count).
- 8) A Financial Summary of the Cost of the Structure - In consultation with the relevant Finance contact, the new cost should be compared against the current budget and include consideration of both ongoing cost (e.g. new salaries) as well as one off costs (e.g. redundancy pay, notice pay), as well as where savings have been identified in order to facilitate or as a result of the changes including any vacancy savings. Set out the longer-term position e.g. year 1, year 2 if it is likely to change. Consider any further costs including training or recruitment that may be required as a result of these changes as well as sources of income.
- 9) Equality Impact Assessment - Considers the demographic profile of people affected in order to consider whether there is a disproportionate impact on any particular group or protected characteristic. If a disproportionate impact is to be found, it needs to be considered and justified as to why. You may refer to more detailed data in an appendix.
- 10) Timetable for the Restructuring Exercise – In this section set out the planned stages of the process set against a time frame leading from the initial meetings with trade unions to the completion of the implementation process. If the size and scope of the review you are managing is large you could consider completing a project plan. You also need to set out who will be involved in the management and conduct of the review including, lead manager, project support, HR and Finance.

- 11) Risks, Issues and Dependencies - Arrangements for assessing risks to the success of the exercise in terms of both service delivery and the workforce and how they would be managed or overcome
- 12) Governance – Detail set out how the project will be governed, for example via a project board or by a Director, the project team management arrangements and the escalation process for amending and arranging signing off the proposals for consultation and completion with the Directors of Finance and HR.
- 13) Information and Communications – How information will be shared and cascaded, methods of feeding back from consultation, FAQs, Issues Logs and Version control on draft proposals
- 14) Suggested Appendices (if appropriate);
 - A.1 Employees proposed in scope of the review. The workforce affected by the restructure and within scope of the review, including each employee's current post title, grade, employment status and length of continuous employment with the City Council.
 - A.2 Organisation Structures Existing and Proposed in Pictorial Form
 - A.3 Job descriptions; Proposed Drafts and Existing
 - A.4 Financial Implications
 - A.5 Equalities Impact Assessment