

**Forward Plan reference number:** Not applicable'

<b>Report title: Review of ECC's Spans of Control and Layers of Management (Phase II) – Drawdown from Reserves</b>	
<b>Report to:</b> Councillor Christopher Whitbread – Chancellor of Essex and Cabinet Member with responsibility for Finance	
<b>Report author:</b> Gavin Jones – Chief Executive	
<b>Date:</b> 13 November 2023	<b>For:</b> Decision
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<b>County Divisions affected:</b> All Essex	

## 1. Everyone's Essex

- 1.1 In the delivery of Everyone's Essex, Essex County Council (ECC) are operating within the context of a number of challenges including;
- Continuing financial uncertainty and maintaining financial stability
  - Cost of providing services
  - Recruitment and retention pressures
  - Pay pressures
- 1.2 To enable ECC to continue to successfully deliver against Everyone's Essex, it is prudent to continue to search for ideas and tools which will assist the forward development of the organisation.
- 1.3 Continuing the review of the organisation's spans of control and layers of management will enable us to quantify the scale of possible financial savings by providing recommendations as to how the structure of the organisation could be improved to maximise the efficient delivery of services.

## 2 Recommendations

- 2.1 Agree that £5,000 of unspent Transformation Reserve funding approved for Phase I which has already been drawn down is repurposed to support the delivery of Phase II.
- 2.2 Agree to the drawdown of an additional £60,000 from the Transformation Reserve in the 2023/24 financial year to complete a review of all functions within the organisation's spans of control and layers of management through a second phase (Phase II.) This will enable us to quantify the scale of potential financial savings by providing recommendations to improve efficient delivery of services and structural considerations.

- 2.3 Agree that the work of the contractors be overseen by the Chief Executive as Head of Paid Service.
- 2.4 Agree to direct award the contract to Tricordant using the NEPRO<sup>3</sup> framework agreement

### **3 Background and Proposal**

- 3.1 Spans of control and layers of management influence the way an organisation delegates tasks to specific functions, processes, teams and individuals;
  - A span of control refers to the number of employees and services for which a single manager is responsible and performs line management duties for. This includes allocating work, monitoring performance, development and responsibility for employee welfare.
  - Layers refer to the number of levels of staff there are from the most junior to the most senior – typically varying from 7 to 12 depending on the complexity and diversity of the organisation. It is good practice to minimise the number of management layers, with benefits seen from decision making taking place as close to the front line or customer as possible, as well as more effective communications.
- 3.2 In January 2023 the Cabinet Member commissioned a third-party provider to undertake the exploratory review of the spans of control and layers in a pilot area (Policy, Corporate Services, People and Transformation, Economy, Investment & Public Health and a small area of Adult Social Care).
- 3.3 The analysis, which set out to identify whether we had potential duplication of responsibilities and accountabilities, or where we may have layers of management which could be removed without impacting on delivery, was done in partnership with the Executive Director of those functions and overseen by the Chief Executive as Head of the Paid Service.
- 3.4 In addition, we were able to reject the hypothesis that ECC benchmarks poorly compared to other similar sized County Councils in terms of the size and cost of senior management - defined as those earning £75,000 and above. There is a good overall level of alignment to market in salaries for senior management roles across ECC and although ECC spends a larger proportion of total pay on senior management pay, total workforce costs are lower in comparison. Further, it was recognised that both the context ECC operates in (i.e. very complex) and our strategy to retain capabilities in-house is not directly comparable with many other local authorities.
- 3.5 The review looked at those in the relevant functions paid over £75,000 (based on a full-time salary) and those roles at layers 3 or 4 were part of the review other than members of CLT, including those roles within partnership bodies for which we are the accountable body, including South East Local Enterprise Partnership, ACCESS Pension fund Pool and the Essex Pension Fund.

- 3.6 The review was completed in July 2023 using an evidenced based 'decision-making accountability' approach to establish whether the number of layers of management and spans of those managers enables ECC to achieve its purposes most effectively. Potential opportunities were identified which could have increased the effectiveness of ECC and saved up to £2.1m. However, as part of the validation process it was acknowledged that to realise many of these opportunities a full service redesign or amendments to the current service offer would be required. As such, work is currently underway to realise approximately £244,000 of those savings (11%) and the reviewed Functions are able to use the insights generated as part of their review to realise assigned workforce efficiency targets for 2024/25, where applicable.
- 3.7 It is proposed to commission a contractor at a cost of up to £65,000 to carry out the review of the remaining functional areas of Climate, Environment & Customer, Childrens, Families & Education and the operational area of Adult Social Care. Two and a half full-time equivalents of internal resource have been assigned to Phase II of the project. These are drawn from appropriate functional areas and additional internal resource will be commissioned as appropriate.
- 3.8 Whilst the level of external support required is lower in this Phase as we have upskilled internally during Phase I of the project. However, it has been identified that there is a continuing requirement for external resource to accelerate the work. Their role will be primarily to interview officers across the hierarchy and assess the decision-making accountability in each role and hence identify whether the structure and decision rights are optimal or if they could be improved based on the high level methodology.
- 3.9 At the end of Phase II, we want to be in a position where we:
- Have identified the potential opportunities to reduce current layers of management and optimise spans of control, together with a set of recommendations to consider including any risks and benefits of implementing any changes.
  - Have received assurance that the internal analysis of opportunity areas undertaken was based on a robust desktop exercise.
- 3.10 Recommendations made from this phase will be discussed and agreed through the appropriate existing governance routes.
- 3.11 The following are the anticipated key project milestones.

Milestone	Date
Phase II preparation phase completed including data cleanse, team briefings,	November 2023
External deep-dive analysis of services within Phase II begins	December 2023
External deep-dive analysis of services within Phase II completed	February 2024

Final report and recommendations	March 2024
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- 3.12 A procurement exercise was carried out using the NEPRO<sup>3</sup> Professional Services Framework. This is a single supplier framework and the Council has to work with Bloom Procurement Services Limited. The Council nominated three companies that it wished Bloom to Procure as their sub-contractor. The outcome of this was that Bloom appointed Tricordant as their sub-contractor.
- 3.13 It is proposed to enter into a further call-off to Bloom via this framework. This time it is anticipated that Tricordant will be appointed without further competition as they have done the work at phase 1.

#### 4 Links to our Strategic Ambitions

- 4.1 This report links to the following aims in the Essex Vision
- Strengthen communities through participation
  - Develop our County sustainably
  - Share prosperity with everyone
- 4.2 Approving the recommendation in this report will not have an impact on the Council's ambition to be net carbon neutral by 2030
- 4.3 This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':
- A strong, inclusive and sustainable economy
  - A high quality environment
  - Health wellbeing and independence for all ages

#### 5 Options

- 5.1 **Option 1 - Do Nothing** (Not Recommended): Does not offer any opportunities to reduce cost or offer an improved service. Whilst this option provides short-term stability, and avoids spending £65,000 on consultancy it is not recommended in the long run as it could lead to missed savings opportunities and hinder organizational agility. ECC will still have financial savings target with no clear plan for delivery and failure to adapt to changing market conditions and industry standards may harm competitiveness.
- 5.2 **Option 2** (Not recommended): Deliver using internal resource and ad-hoc external Subject Matter Expert support. In this approach, we would be able to deliver the discovery work. However, there would be additional lead-in time to recruit, find the right staff and train on DMA methodology. There are significant risks associated with this approach including a risk of pulling in BAU resource if there are problems with external support in terms of capability, retention and

quality. It is also a more costly option, requiring additional funding of approximately £280,000 (3FTE) to fund additional capacity for the programme.

- 5.3 **Option 3** (Not recommended): Deliver using internal resource only and recruit (2FTE) to backfill positions to release capacity into the project. In this scenario, ECC would only be able to release staff once backfills are in place and trained. There is significant risk we won't be able to recruit the backfills on time as the availability of the skills and capabilities in the market are currently unknown which would impact the timeline for delivery. With additional revenue cost of approximately £190,000 (2FTE) to backfill positions to release capacity into the project, this is also more expensive than the recommended option.
- 5.4 **Option 4 (Recommended)**: To engage Bloom Procurement Services Limited to appoint a sub-contractor support Phase II of the project. This approach builds on the successful completion of the discovery work in Phase I and would enable the work to be undertaken in a timely manner whilst minimising the impact on business-as-usual activity. It will also reduce time in the process of transferring knowledge of Phase I process and outcomes and provide a level of credibility and an element of impartiality, taking into account the sensitive nature of the work. The cost of investment (approximately £65,000) is minimal compared to the other options and provides best value with minimal risk.

## 6 Issues for consideration

### 6.1 Financial implications

6.1.1 External support will be required to assist in the delivery of the review at a cost of up to £65,000. It is proposed that this is part-funded by an under spend of £5,000 against approved funding for Phase I and it is recommended in this report that the funding be formally repurposed to Phase II. Costs to deliver Phase II are proposed to be funded via drawdown from the Transformation Reserve in the 2023/24 financial year, to a maximum value of £60,000.

6.1.2 Savings are anticipated through the review but are as yet unquantified, however are expected to exceed the investment (Phase I identified potential opportunities for savings exploration of £2.1m but only £244,000 has been progressed based on this). The 2023/24 approved budget already has an overarching staffing saving of £5m which the spans and layers programme is expected to part deliver. Savings generated by the programme will only contribute towards closure of the budget gap for 2024/25 onwards if they exceed the £5m already removed from the budget.

### 6.2 Legal implications

6.2.1 The Council's financial regulations state that all drawdowns from reserves must be approved by the Cabinet Member for Finance.

6.2.2 Drawing down of money from reserves does not authorise any expenditure that is a key decision or any significant changes to ECC services or funding which must be authorised by the relevant Cabinet Member.

6.2.3 The NEPRO<sup>3</sup> framework is a single supplier framework specifically to engage sub-contractors. Care must be taken to ensure that the Council complies with the principle of equal treatment set out in the Public Contracts Regulations 2015 and that it does not use the framework in a non-compliant way. It should be noted that a breach of the regulations could occur even if the rules of the framework are complied with.

## **7 Equality and Diversity Considerations**

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **8 List of Appendices**

8.1 Equality Impact Assessment

## **9 List of Background papers**

9.1 None

<p><b>I approve the above recommendations set out above for the reasons set out in the report.</b></p>	<p><b>Date</b></p>
<p><b>Councillor Chris Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs</b></p>	<p><b>22.12.23</b></p>

**In consultation with:**

<p><b>Role</b></p>	<p><b>Date</b></p>
<p><b>Executive Director, People &amp; Transformation</b> <b>Pam Parkes</b></p>	<p>12/11/2023</p>
<p><b>Executive Director, Corporate Services (S151 Officer)</b> <b>Stephanie Mitchener on behalf of Nicole Wood</b></p>	<p>14/11/2023</p>
<p><b>Director, Legal and Assurance (Monitoring Officer)</b> <b>Paul Turner</b></p>	<p>7 December 2023</p>