

SUMMARY OF THE HAY REPORT

The detailed report from the Hay Group regarding the council's organisation structure is provided as a confidential background document to the Committee. Below is a summary designed to assist members of the committee by summarizing the main points made in their detailed report.

Delivery Models

The report deals with the types of delivery models used in the council and highlights that there is a 'mixed economy model' ranging from creating wholly owned companies, commissioning services and delivering them in house.

They note that the delivery models have led to the creation of a flat management structure built around the talent of the people in the chief officer cadre and that it was felt by chief officers that there was not a need for wholesale change.

They also noted from figures verified by the councils finance team that since their last review of senior management in 2013 there has been a further reduction in the cost of the senior management structure to the value of £153,000.

In considering how future services would be delivered Hay found that most chief officers supported the continuation of a mixed economy that was subject to challenge using the rigour of a commissioning approach to evaluate service delivery options over time. It was recognized that this approach was developed and familiar to the adult services directorate and becoming a strong feature in children's services but capacity had seen it mostly limited to those areas of work. Some chief officers felt that a corporate approach to commissioning would be beneficial and was important given the continued pressure on budgets

All senior managers felt that becoming a pure commissioning council was not the best way for the council to deliver for the residents of Blackpool. There was recognition that some of the operational services the council currently delivered could realistically be commissioned and outsourced, there was an argument that this may not deliver the same local economic benefit as council delivered services do in some cases.

Hay recognized that Blackpool Council was committed to working with partners across the town, across the Fylde Coast and across Lancashire. They were made aware of several examples of integrated services across organisations, shared services, shared management teams and joint commissioning. These arrangements not only drive efficiencies but also improve services for residents

Based on their findings Hay suggests that the council might consider a high level view of the way things are organized that does focus on 'People, Place and Resources'. This would very much support the proposed Council Plan priorities which focus on the economy and Blackpool as a place and building resilient communities – which is focused on the people of Blackpool.

In addition they suggest a focus on transformation and strategic commissioning is needed to support the council and all its directorates to meet future demands and challenges with public health leading on supporting directorates with 'up front' preventative work.

Impact on Structure

In terms of the impact of their proposals on the current structure Hay suggest a change to the Deputy Chief Executive role. Moving this to hold more of a transformational remit (it already has accountability for the main functions associated with transformation) would mean it would seem like the best place for a strategic commissioning hub in the future.

They also suggest that the structure at the top could become less flat depending on the talent available over time. However the council would need to be confident it had the talent below the Director level to take on more responsibility and accountability and drive the council forward in the strategic/operational space.

Hay note that should the council consider moving to this structure the following is worth noting:

- The Peoples Directorate has already been established with one Director responsible for the delivery of services to adults and children as part of the temporary arrangements made by the Chief Executive. This arrangement has worked well and it is suggested that it continues. The statutory DCS and DASS roles however should be held by different post holders although the DASS will report directly to the Director of People who will also be the DCS.
- It is suggested that over time the council gives consideration to the place agenda being led by one post holder mirroring the arrangement for the Peoples Directorate. To a certain extent the two senior officers working on the place agenda currently already work hand in hand; one focusing on the strategic decisions affecting the town whilst the other is focused on delivery on the ground. Over time as the council explores the different delivery models for services it is likely that at some point this element of the structure will change naturally
- Rather than the current Deputy Chief Executive post being seen as part of Corporate Resources there would need to be a change in culture to create a fourth strand to the usual "people, place, resources" structure that was focused on transformation, driving change through people, technology and commissioning.
- There would need to be a strong Resources function as there will still need to be a requirement for a Section 151 Officer. We would not recommend this statutory role sits with the Chief Executive as it places too much risk on the council structure and operations.
- Public Health would lead the agenda for preventative solutions to reduce demand on public services.

Impact on Salaries

Hay commented that like all Local Authorities, Blackpool Council has had to change the way it operates to deal with the financial restrictions that are being instigated by central government. Pay for senior roles in the public sector was typically frozen for three years from 2010 and senior management remuneration has come under increased scrutiny making senior roles less attractive. Councils are now fighting an increasingly difficult battle to keep talented staff within the organisation. The sudden change to salary practice after 2010 has also left some councils with illogical relativities, as some senior officers are paid less than their peers for doing similar or even more complex work, just because of when they were appointed. The combination of developing market pressure and incoherent policies and practices presents a good case for reviewing senior pay. At the same time, political and media scrutiny remains close, the public remains skeptical about public sector pay rises and members are understandably cautious.

Blackpool Council has a pay policy in place which has been designed to motivate staff to achieve the accountabilities expected of them while being seen to be a fair and equal employer:

'Blackpool Council is committed to paying all its employees appropriately and fairly using recognised job evaluation schemes that have been tested to ensure that they are free of gender bias. The pay scales for employees at all levels are in the public domain and the Council complies with requirements to publish data on senior salaries and its entire pay scale in the interests of transparency.'

There is no mention within the pay policy of where the council wants to benchmark the senior roles against the market but at present the positions at the executive level are benchmarked at levels below the lower quartile of the market rather than the median. We have shown a comparison against both the median and lower quartile in the pay analysis below.

It is worth noting that pay for other employees in the council is benchmarked against the North West median range for jobs where clear comparisons are available working with the Association of Greater Manchester Authorities and Lancashire. As a result it is likely that most posts in the council are comparable to the median range for local authority pay levels.

Hay have compared the results of the job evaluation process against a Public sector pay database (excluding London) and in their view it provides a sound basis for determining preferred pay market positions within and overall reward strategy.

Comparison of salary against the Public and Not for Profit sector January 2015 (excluding London)

		Public / Not For Profit (Exc London)		
Job Title	Hay Points	Market Upper Quartile	Market Median	Market Lower Quartile
Director of People	1,418	£131,959	£116,453	£103,846
Deputy Chief Executive	1,232	£115,168	£100,928	£91,381
Director of Resources	1,232	£115,168	£100,928	£91,381
Director of Place	1,192	£111,873	£97,762	£88,903
Director of Community & Environment	1,142	£107,928	£94,032	£85,562
Director of Governance & Regulatory Services	1,142	£107,928	£94,032	£85,562
Deputy Director of People (Adult)	1,142	£107,928	£94,032	£85,562
Deputy Director of People (Education)	1,040	£100,638	£87,406	£77,690
Deputy Director of People (Social Care and Early Help)	1,040	£100,638	£87,406	£77,690

Hay comment that Pay and grading structures should support an organisation in the following ways:

- Aligning to the culture, characteristics and needs of the organisation and its employees
- Facilitating the management of relativities and ensure equity, fairness, consistency and transparency in pay management
- Enabling roles to be graded appropriately and minimise grade drift
- Allowing flexibility to adapt to market rate changes and skill premium
- Enabling the exercise of control over the implementation of pay policies and budgets

Blackpool's current grading structure does not appear to meet these needs as there is a lack of internal relativity management, inequality in terms of pay for job size and no clearly defined policy regarding market position.

It is recommended that consideration is given to a clear pay policy regarding market positioning in the first instance with pay scales developed to reflect this decision. These steps will enable an implementation plan to be developed that takes affordability into account and moves the Council towards a pay and grading system that meets the points above.

It is noted that failure to take remedial action may contribute to recruitment and retention issues at senior level and runs the risk of complaints under equal pay legislation. Given the Council's commitment to equal pay and the significant programme of activity within the Council's strategic plan, failure to retain or attract key individuals with the required skills to provide critical leadership and drive success represent a risk to delivery of strategic objectives.