

PERSONNEL COMMITTEE

URGENT BUSINESS Interim Manager Appointments

10th April 2018

Report of the Chief Executive

PURPOSE OF REPORT

To re-present the report which the Committee considered on 3 April, to enable the Committee to consider the approach when engaging 'Interim Managers' through Contracts for Services to perform Chief Officer level duties, and decide if a change of approach is required.

This report is public.

RECOMMENDATIONS

- (1) That Personnel Committee consider the content of this report and discuss the options available in relation to the engagement of interim managers for Chief Officer level duties through contracts for services.**

1.0 Background and Reason for Urgency

- 1.1 Committee Members considered this report at their last meeting on 3 April 2018. The report had not been submitted to the Deputy Monitoring Officer for her comments (the Monitoring Officer having an interest, being an Interim appointment performing some Chief Officer level duties). The error in the report, which said that the Monitoring Officer had approved the report, has now been corrected, and the comments of the Deputy Monitoring Officer have been inserted. The report has been accepted as urgent business by the Chairman in order to correct the error and consider the item again as swiftly as possible.

2.0 Introduction

- 2.1 Interim Managers, for the purpose of this report, are the individuals appointed through a 'contract for services' to carry out work for the Council. They are usually appointed and paid via an agency on a day-rate payment arrangement, and at no time are they employees of the Council during the period their services are being used in an interim management capacity.
- 2.2 Interim managers will typically be experienced business leaders who are able to manage an organisation or service through a period of change or transformation, provide stability to a business following the sudden departure of a senior leader, or provide a much needed and highly specialised skill set which a business may not have internally.
- 2.3 An organisation may choose to pursue the interim management route because the role in question is not a permanent position or a permanent executive/manager cannot be found fast enough. Similarly, interim management is a positive option to pursue when

the terms and conditions for a fixed term role are not attractive enough for potential candidates.

2.4 Interim managers appointed by the Council to carry out some duties of a Chief Officer role are not automatically given the delegated authority for a high level of decision making in the same way employed Chief Officers are. Chief Officer delegated responsibilities, in the absence of an employee in the role, automatically revert to the Chief Executive.

2.5 If there was a proposal for an interim manager to be given the delegated responsibility of an employed Chief Officer, Personnel Committee would need to approve that delegation to the interim manager.

3.0 Terms of Appointment and Comparisons to Council Employees

3.1 The value of contracts for interim manager appointments is arrived at taking into account:

- The financial resource available to the Council
- The day rate the interim manager charges to the agency, and
- The additional charge made by the agency on top of the interim manager's day rate.

3.2 Interim managers do not benefit from the substantial and generous standard terms and conditions available to employees of the Council. These include:

- Paid holidays
- Paid public holidays
- Access to a pension scheme with employer contributions
- Flexi-time (although some interim managers may work under flexible arrangements)
- Paid sickness absence
- Personal development activities / funded training

3.3 Any comparison of the rate for paid staff against the hourly rate for interim managers should take account of the other benefits outlined above, which can make a significant difference to the perceived gap between simple hourly rates, depending on the 'specialism' and associated day rate charged at any given time.

3.4 Interim Managers are typically Directors or employees of their own Limited Company, with which the contract for services with the agency is agreed. This, in part, underpins the interim managers' reasons for not wanting to be employed by another organisation.

4.0 The Appointment Process

4.1 Rather than follow a typical recruitment process in the way we are required to do for Council employees, the appointment route for interim managers enables the Council to agree a 'contract for services' in the same way other contracts are entered into for other services, e.g. consultancy support, planning advice or strategy development work.

4.2 When the need for an interim manager is identified, and sufficient budget is available, the relevant Officer will approach an agency for help in sourcing / identifying suitable candidates for the work.

4.3 For interim management appointments, agencies will typically supply the Council with the CVs of individuals who are both suitable and available for work at the time they are approached. Both the agency and the Council expect a very rapid turnaround in the selection process, as the market for interim managers is very fast-moving.

- 4.4 Candidates for interim positions are interviewed for the post, so that their skills and experience can be assessed by Officers before the best candidate is selected and offered the position, subject to good quality references.
- 4.5 To delay decision making in the selection process for an interim manager leads to the loss of candidates, simply because of the pace of the market for highly skilled interims. As an example, when we recently sourced CVs for the interim legal post, three of our ideal candidates had been interviewed for, offered and accepted other roles during the two weeks between the Council receiving their CV and the planned interview date. This demonstrates the speed at which we have to work when seeking to appoint an interim manager, where even a two week delay is far too long.
- 4.6 The ability to agree a contract for services is delegated to senior Officers of the Council, subject to certain financial limits. The Chief Executive as the Head of Paid Service make decisions about these contracts in relation to interim cover for vacant posts and Chief Officers make the decisions in relation to other interim management posts.
- 4.7 It should also be noted that it is highly unlikely that a candidate for an interim position would engage with a lengthy or complex appointment / selection process.

5.0 The Constitution

- 5.1 The Council's Constitution does not specifically mention the appointment of interim managers. Whilst there is specific provision for the appointment of Chief Officers, the Committee should note that a 'Chief Officer' is defined as an employee of the Council whose employment is governed by negotiated and agreed terms and conditions of employment. An interim manager who covers the duties of a Chief Officer is not governed by those terms and conditions.

The key issue in Constitutional terms does not relate to the duties, the day today issues being undertaken by the Chief Officer, but to the delegation of authority from Council to an employee to make decisions on behalf of the authority. The delegated authority to bind the Council is considered so important under the Constitution that the appointment of a Chief Officer, or delegation of the powers of a Chief Officer, is reserved to a proportional Committee of members.

6.0 Options for Consideration

- 6.1 The Committee should discuss the options below in relation to making interim manager appointments to cover the duties of a Chief Officer, and agree the most appropriate outcome for the Council.
- 6.2 That the Chief Executive, under delegated authority, continues to manage and agrees appointments for interim managers to cover Chief Officer level duties through contracts for services, potentially subject to a defined maximum length of appointment, e.g. 6 months, with approval required from Personnel Committee for any extension over 6 months. Were the Chief Executive to request that the interim manager be given the delegated powers of a Chief Officer, this matter would also come to Personnel Committee for a decision.
- 6.3 That the Personnel Committee plays an active part in the selection and appointment process for an interim manager required to cover Chief Officer level duties, which could result in the usual delegated powers being delegated to the interim manager. This may require further amendments to the Constitution, but would clearly delay the appointment process, risking business continuity for the Council.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

No impact.

LEGAL IMPLICATIONS

None.

FINANCIAL IMPLICATIONS

Any additional financial implications arising through the continued use of interim appointments would need to be managed from within existing resources, i.e. through service or corporate turnover savings in the first instance, and if appropriate to do so, then use of the Budget Support Reserve, thereafter, under delegated authority to the Chief Officer (Resources), in consultation with the Finance Portfolio Holder for non-key decisions with key decisions being subject to Cabinet approval.

With reference to the points raised under section 2.2, it is re-iterated that the equivalent hourly rate of vacant posts provided at Appendix A includes the employers pension scheme contribution costs and so although would increase slightly if other benefits such as holiday and sickness allowance were taken into account, as this is what it normally costs the Council to 'employ' rather than 'contract' staff, then regardless of how any terms and conditions are derived and subsequently reimbursed by an Agency, the Council's hourly rate is still significantly less than that often charged for interim appointments.

It is recognised, however, that there is on occasion the need to use contracted staff on a temporary basis, but that there remains the need to ensure this is the most cost effective means of providing temporary cover as and when deemed necessary until more permanent arrangements can be put in place.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

This report has been written by the Interim HR Manager. There are no other resource implications.

SECTION 151 OFFICER'S COMMENTS

The further use of interim appointments will be inevitable as the Council seeks to ensure it has sufficient capacity and expertise to deliver its stated objectives, but with the need also to demonstrate value for money.

In order to improve the transparency and accountability around interim appointments, specific monitoring and reporting arrangements have been introduced for 2018/19 as part of the Council's existing quarterly monitoring framework. This enhanced reporting will assist in providing assurance that each interim appointment is providing that value for money in meeting the Council's requirements.

It is worth noting that in addition to the internal reporting noted above, the Council is required to make disclosures within its statutory Statement of Accounts in relation to remuneration of senior officers and other employees.

With regard to the provision of any supplementary financial information to Member meetings, the s151 officer has requested the Monitoring Officer to ensure that adequate arrangements are in place to allow Financial Services/the s151 Officer to provide their assurances in line with their responsibilities to the Council.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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Interim Manager Appointments – True Cost Comparison

Chief Officer Salary plus On-costs (NI and Pension) **£85,778** *Top of Grade*

Interim Manager

260 Working days per year @ e.g. £500 per day £130,000

Less 42 days unpaid leave -£21,000

Less 1 day unpaid sick (average for Mgt Team) -£500

Total Interim Cost **£108,500**

Difference: **£22,722**

Drawing on recent sickness absence levels within Management Team, a sick leave adjustment of 1 day has been applied.

Regarding training and development, the longer term interim costs associated with covering the Chief Officer (Governance) post from 2016/17 do not indicate any reduction in days due to training and development, and therefore no adjustment has been made for this above. It is acknowledged, however, that this does not preclude some adjustment in future. Also, it is possible that some interims may have access to internal training and development provision.