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AGENDA

Committee	POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE
Date and Time of Meeting	Tuesday, 6 January 2015, 4.30 pm
Venue	Committee Room 4 - County Hall
Membership	Councillor Howells (Chair) Councillors Cowan, Goodway, Hunt, Lloyd, Love, McGarry, Murphy and Walker

1 **Apologies for Absence - 4.30 pm**

To receive apologies for absence.

2 **Declarations of Interest**

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

3 **Minutes** (*Pages 1 - 14*)

To approve as a correct record the minutes of the previous meeting.

4 **Investment Property Review - 4.35 pm** (*Pages 15 - 70*)

(a) Councillor Phil Bale, Leader, City of Cardiff Council, has been invited to attend and may wish to make a statement;

(b) Chris Sutton, of JLL, has been invited to attend for this item to present the Review;

(c) Neil Hanratty, Director of Economic Development, and Charles Coats, Corporate Property and Estates Manager, will be in attendance for this item;

(d) Questions by Members of the Committee

5 **Organisational Development and Wales Audit Office Corporate Assessment update - 5.15 pm** (*Pages 71 - 116*)

(a) Councillor Graham Hinchey, Cabinet Member for Corporate Services and Performance has been invited to attend and may wish to make a statement;

(b) Paul Orders, Chief Executive; and Martin Hamilton, Chief, Change & Improvement; will be in attendance for this item;

(c) Questions by Members of the Committee.

6 Control of Employee Costs - Desk Based Scrutiny Research Report and Comparative Advice from Welsh Local Government Association - 5.55 pm
(Pages 117 - 154)

(a) Marie Rosenthal, County Clerk and Monitoring Officer, will present a Scrutiny Research report on control of employee costs amongst UK Core Cities;

(b) Anna Freeman, Director of Employment at the Welsh Local Government Association, has been invited to attend the meeting to describe how Welsh local authorities are preparing to control their employee costs as part of the 2015/2016 budget setting process;

(c) Councillor Graham Hinchey, Cabinet Member for Corporate Services and Performance; Christine Salter, Corporate Director – Resources; and Phillip Lenz, Chief Human Resources Officer, have been invited to attend for this item;

(d) Questions by Members of the Committee.

7 Voluntary Severance Review - 6.20 pm *(Pages 155 - 182)*

(a) Councillor Graham Hinchey, Cabinet Member for Corporate Services and Performance, has been invited to attend for this item;

(b) Christine Salter, Corporate Director – Resources; and Philip Lenz, Chief Human Resources Officer, will be in attendance for this item;

(c) Questions by Members of the Committee.

8 Way Forward 7.00 pm

(a) Investment Property Review

(b) Organisational Development and Wales Audit Office Corporate Assessment

(c) Control Of Employee Costs – Desk Based Scrutiny Research Report and Comparative Advice from Welsh Local Government Association

(d) Voluntary Severance Review

9 Correspondence - Information Report - 7.15 pm *(Pages 183 - 206)*

- 10 **Work Programme Update – 7.20 pm** (*Pages 207 - 210*)
- 11 **Date of Next Meeting - 7.25 pm**

Tuesday, 3 February 2015

Marie Rosenthal

County Clerk & Monitoring Officer

Date: 30 December 2014

Contact: Kate Rees, 02920 872427 kate.rees@cardiff.gov.uk

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Agenda Item 3

POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

2 DECEMBER 2014

Present: County Councillor Howells(Chairperson)
County Councillors Cowan, Lloyd, Love, McGarry, Murphy and Walker

10 : APOLOGIES FOR ABSENCE

Apologies were received from Councillors Goodway & Hunt

11 : DECLARATIONS OF INTEREST

The Chairperson advised Members that they had a responsibility under Article 16 of the Members Code of Conduct to declare any interests and complete Personal Interest Forms at the commencement of the agenda item in question.

The Chairperson also reminded Members that if they had completed Annual Forms there was still a need to disclose any interest. Members were asked when declaring an interest to clearly inform the meeting of the interest in question, to complete a personal form and to indicate if they were withdrawing from the meeting.

12 : MINUTES

The Minutes of the meeting held on 4 November 2014 were approved as a correct record.

13 : CORPORATE PLAN 2015 -17

CORPORATE PLAN 2015-17

The Chairperson welcomed the Leader of the Council, Councillor Phil Bale to the meeting, Martin Hamilton, Chief Officer Change and Improvement.

The Chairperson informed the Committee that this item gave Members the chance to consider the approach to developing the 2015-17 Corporate Plan. The Committee would be able to scrutinise a full draft of Corporate Plan at the same time as the Budget Proposals, early next year.

The Chairperson invited Councillor Bale to make a statement.

Councillor Bale passed his best wishes and a speedy recovery to Councillor Garry Hunt who was unwell and unable to attend the meeting.

Councillor Bale advised the Committee that this was an opportunity for them to consider the Corporate Plan at this early stage with a further opportunity to consider the complete draft in February. This Plan included key points such as Re-aligning Vision, Values and Corporate Planning, along with responding to the Corporate Assessment and setting objectives.

Martin Hamilton drew attention to Appendix A of the report and provided information on the following to the Committee.

- *Development of the Corporate Plan*
- *Policy Requirements*
- *Hierarchy of Plans*
- *Vision*
- *Council Priorities*
- *Liveable City*
- *Alignment Meeting our requirements*
- *Co-operative Values*
- *Corporate Assessment*
- *Responding to the Corporate Assessment*
- *WAO Best Practice from Current Corporate Plan*
- *Review of 10 Core City Corporate Plans*
- *Priorities: What we need to achieve*
- *Next Steps – Setting Objectives*
- *Challenging target setting*

The Chairperson thanked Martin Hamilton for the informative presentation and invited Members of the Committee to ask questions.

The Committee drew attention to the outcomes listed in the Plan and how these were measured. The Liveable City outlined the 7 city level outcomes which related to accommodating the growing population of the city, however no reference was made about growth of sustainability. Net job growth was essential, and figures were required to reflect this, along with Education Key Stage results for the UK.

Martin Hamilton advised that the terms were in draft with the Panel defining each of these Terms, through engagement. The Plan would include the figures for the Net Job Growth, featured through Liveable City and statistics would be captured measured against other cities. The Liveable City included 7 measures articulated through growth and contributed to sustainability.

Councillor Bale drew the Committee's attention to the information contained in the Hierarchy of Plans. The information being fed into the Plan included input from partners; Health, Police and Third Sector Organisations, which provided additional support and contributed towards the Liveable City. It was essential that Cardiff benchmark not only with UK cities but that of world cities and recognised success of major regeneration within 20 years. The Balanced Score card approach was being adopted throughout the Council and this was being communicated to all staff. The

intention was to bring forward a vision for how the organisation would look in the future including service provision and delivery.

Martin Hamilton explained to Members that the Plan included comparisons made against other UK cities as a Liveable City. It was also recognised that Education results had been measured but did not translate appropriately as a result of performance being lower in Wales.

The Committee was of the view that Education comparisons could be achieved with evaluations of GCSE results being compared.

Martin Hamilton explained that the Cardiff Debate was developed through priorities and values. These values were then built into the Plan and cascaded through the organisation to reflect the day to day values and relevance of the work being delivered.

Members of the Committee asked that Priority 1: Education and Skills for People of All Ages include the potential for older persons achievements. The Committee were assured the Priority included older persons, with the Action relating to training and attainment for people of all ages.

Councillor Phil Bale drew attention to Priority 4: Working with people and partners to design, deliver and improve services. This would be achieved through joint working and sharing of information, along with working more transparently to raise performance and public awareness.

The Committee was concerned that “Cleaner, Sustainable City” did not feature as part of the Cardiff Debate. The Committee was advised that the “Cleaner Environment” featured as part of the Economic agenda. It was not just about a “clean environment” but how the outcomes were achieved, along with investment provided to sustain this.

Councillor Bale asked that if Committee were of the view that some Objectives had been overlooked it was essential that they bring suggestions forward.

The Committee asked how the Plan took into account Cardiff’s unique characteristics of capital city status, had cities such as Belfast and Edinburgh been benchmarked against, including the number of commuters into the city. The Committee was advised that this was an area that was still undergoing development with transition of powers being addressed and the impact on Cardiff.

Members of the Committee suggested that emphasis be placed on future economic development proposals being located outside of the city. The Committee was advised economic development proposals were part of the wider City Region Plan, with focus being placed on extended transport links to achieve this. Value of land was also a factor to be considered, but it was also essential for future investment to be driven forward to maintain jobs.

RESOLVED: The Committee AGREED to write to the Leader of the Council, Councillor Bale outlining the following:

The Committee welcomed the outward focus which you and officers have taken to developing the Plan; we were glad to see that you have considered Core Cities' corporate planning to learn from good practice elsewhere. We note that a thematic approach will be taken, setting out objectives and measures under the Administration's four priorities, rather than taking a Portfolio-based view, in an approach similar to many of the Core Cities.

The Committee appreciated the consideration given to the wider policy context for the Plan, in terms of aligning to national policy and the partnership agenda in Cardiff. The Committee has agreed to consider the refresh of the What Matters strategy when available, so would be grateful for confirmation of that timescale. Members of the Committee have previously recommended that the Plan should be developed in order to suit the needs of all its various audiences – partners, the public, regulatory bodies, officers – and although this was briefly discussed at the meeting, Members wish to underscore that point as the Plan is developed.

Members also welcomed the intention to include definitions of terms such as 'outcome' and 'objective' in the Plan in order to ensure clarity. As you recognised at the meeting, this is a point which both the Committee and the Wales Audit Office have raised in relation to previous years' Plans. Members queried whether training is being put in place to ensure that officers are fully cognisant of these definitions as the Corporate Plan and Directorate Delivery Plans are developed. We noted the Chief Officer's comment that this is being addressed through the Chief Executive's ongoing engagement activity, but recommend that further thought is given to developing appropriate training instead, perhaps through the managers training programme.

The Chief Officer for Change & Improvement stated that the full draft of the Corporate Plan will be available to consider with the Budget Proposals at our February meeting. There have been many delays in making the report available for all five Committees in the past to support their consideration of the alignment of budget proposals to corporate priorities; we would like to re-emphasise how important it is that it is made available in a timely manner (in order to meet translation deadlines, for example, the Community & Adult Services Committee would need the final draft in the week commencing 19 January 2015, for example).

The Committee was informed that much of the detail of the Council's improvement activity will now fall down to the next layer of Directorate Delivery Plans. Given the extra weight which is being placed on them, we anticipate that the Delivery Plans will be in place in time to support delivery of the Corporate Plan and the Budget, i.e. by 1 April 2015. We would be grateful if you would confirm the timescale for their production.

There were some points which the Committee felt should be accentuated in the final draft of the Corporate Plan, which did not necessarily stand out in the presentation given to the Committee: the NEETs agenda; the environment (particularly given the importance which the public place on this issue); education targets for older children; the impact of Cardiff's status as a Capital City and the work which is ongoing with neighbouring authorities, particularly given the local government reorganisation agenda.

An issue which has previously been raised is the need to clearly set out the influence which citizen – and officer – engagement activity has had on the development of the

Plan. As this did not clearly come through in the officer's presentation, we recommend that the final draft Plan makes the linkages between the results of the Cardiff Debate and the objectives set out in the Plan unambiguous.

The Committee had flagged up the value of comparative performance data on many occasions, particularly with regards to non-Welsh authorities. We noted the Chief Officer's comment that this will be made available where possible, while acknowledging that it is not always feasible. We would still emphasise this point however, and recommend that more effort is put in to finding suitable comparators for inclusion in the final draft Plan for as many measures as possible.

To re-cap for ease, the Committee asked that the following points are addressed:

- further thought should be given to how the Plan can be developed to suit all of its audiences;
- appropriate training for officers should be developed addressing knowledge around outcomes and objectives and the identification of appropriate measures and target-setting;
- a number of specific points should be emphasised in the Plan: the environment, NEETs, the city's Capital status and cross-boundary working;
- the influence of citizen and staff consultation on the Plan should be clearly set out;
- suitable comparative data should be included in the final draft Plan;
- the final draft Plan should be made available in time for all Scrutiny Committees' budget meetings (allowing time for translation for the Community and Adult Services Scrutiny Committee's papers);
- Directorate Delivery Plans should be in place for the start of the new financial year and we would like the timescales confirmed.

14 : BUDGET MONITORING 2014/15 MONTH 6 REPORT AND BUDGET PROPOSALS 2015/16 FOR CONSULTATION

BUDGET MONITORING 2014/15 MONTH 6 AND BUDGET PROPOSALS 2015/16 FOR CONSULTATION – DIRECTORATE BRIEFINGS

The Chairperson reminded Members as part of the work programme the Committee agreed to scrutinise this year's Month 6 budget position in some depth. Members were also asked to have budget briefings from Directorates to provide background information about their overall budgets before scrutiny of the detailed budget 2015/16 proposals.

As budget proposals had been released for consultation earlier than in previous years, these were included in Committee papers so that the Committee could consider the context they've been developed in at a high level. The Committee would have chance to look at them in depth at its Budget meeting next year, once the consultation was known.

The Chairperson informed Members that the meeting would be split as followed:

- Scrutiny of the overall Month 6 2014/15 position

- An overview of the development of the 2015/16 budget proposals, looking at the budget context and the steps which would lead to final budget proposals;
- Scrutiny of the Directorates which came under Policy Review and Performance Scrutiny Committee remit, looking at their Month 6 position and an overview of their Directorate budget as 2015/16 proposals were developed.

The Chairperson welcomed Councillor Graham Hinchey, Cabinet Member for Corporate Services and Performance and Christine Salter, Corporate Director Resources.

Councillor Hinchey gave a statement. It was quite clear that the budget position was challenging especially in specific areas such as Health & Social Care and Children Services however, excellent progress had been made in these particular Directorates. Performance Issues had been recognised in Environmental Services and these were being addressed. It was recognised that at Month 6 the outturn was £1M better than at Month 5. Sickness Absence days in Environmental Services were reducing and this was being monitored. Overall slight improvement from Month 5.

Christine Salter provided the Committee with a presentation on Cardiff Council Overall Monitoring Position at Month 6, which outlined the following:

- *Budget 2014/15*
- *Summary at Month 6 Position*
- *Health and Social Care*
- *Environment*
- *Education & Lifelong Learning*
- *Children's*
- *Sport, Leisure and Culture*
- *Revenue Variance Actions*
- *Analysis of Capital Programme Variance*
- *Capital Variance Actions*

Christine Salter advised the Committee that the overspend in Health and Social care related to services for older people, learning disabilities and mental health. The overspend in mental health included significant costs in relation to former continuing health care placements and additional costs relating to new legal requirements associated with deprivation of liberty. It was unfortunate that it was made unclear last year that these costs would be placed on local authorities and taken away from the Health Boards funding.

Members of the Committee were concerned with the consistent overspending, reoccurring every year and the poor budgetary management. £50M slippage of capital was a consistent trend and therefore why was it not built into the budget system and tackled on a yearly basis.

Christine Salter advised the Committee that the overspending was not consistent. The overspend was generated through the general spend confirmed through the spend analysis. Circumstances in Health & Social care had changed and these trends could not be factored into the budget savings. There was evidence to support the changes in Domiciliary Care provision and this was reflected in the overspends. There was a shortfall of £5.9M and it was recognised those savings won't be achieved and would have to come from alternative provisions. Certain savings associated to St David's Hall may also be delayed due to timescales and procurement issues which all had to be factored into the budget process.

Councillor Hinchey explained that it was difficult to predict the changes in some service provision regardless of how much contingency was set aside to support it. Older persons services would increase on a yearly basis, along with Children Services including the legal changes to Child Protection all having a major impact on budget savings. Currently the budget was in a balanced position, the risks had been mitigated and this would be addressed further after the consultation period.

The Committee was advised that changes to legislation Health & Social Care had a tremendous impact on the budget savings and it was difficult to make predications for what the savings would be like next year and problematic to plan ahead to address these issues.

Members of the Committee asked why there were delays at the negotiation stage for Plasnewydd Community Centre. The Committee was advised this was part of the Challenge meeting and would be addressed at that forum.

Members of the Committee were reminded that Cardiff was the largest employer in Wales and the restrictions placed on procurement issues were tight. The property strategy was ongoing and with the roll out of the Hubs projects the position was improving.

CONTEXT & PROCESS AROUND DEVELOPMENT OF 2015/16 BUDGET CONSULTATION

Christine Salter provided the Committee with a presentation which outlined the following:

- Background to Financial Strategy
- Council's Response to meet the Budget Reduction Requirement
- Budget Savings Targets
- Directorate Targets
- Comparison to Planning Assumptions
- Budgetary Gap 2015/16 – Update
- Budget Process Risks and Requirements
- Public Consultation on Budget Proposals

- Analysis of Engagement to Date

The Committee noted the budget position at Month 6, the Council Tax collection was £2M going forward. Members asked what element of Capital Financing was being used.

Christine Salter explained to the Committee the Council Tax collection base calculation was included in the ultimate collection rate. It was noted that a speedy recovery process last year had added to this with reminders initiating enforcement action and therefore resulting in a quicker recovery process.

The Committee noted the Capital Financing figures, a change of £700k resulting in a worse position.

Members of the Committee recognised that it was essential now for the organisation to do more for less. Patterns had emerged identifying efficiency savings and this needed to be actioned.

Councillor Hinchey emphasised the importance of the change agenda. Working practices in the organisation had to transform to reflect the dynamics of change and this was recognised by most local authorities. The public were becoming involved in the budget consultation process with 4,000 hits on the Council's website and increasing viewing of the budget video. People were attending local budget events held in communities and playing a key role in the budget process.

Directors budget briefings

The Chairperson informed the Committee that they would now move onto briefings from the Directorates which come under the Committee's remit.

Corporate Management Briefing

The Chairperson invited Councillor Bale and Christine Salter to make a statement if they wished.

Christine Salter explained that this area had overall management of the Council and all the 2014/15 targets had been met.

The Committee discussed Corporate Initiatives; gross expenditure of £606k was the reserve with £300k amendment in budget support for improvement. This budget had been created to contribute towards service delivery and enhancement of services; however, the majority supported overtimes costs which would be addressed.

The Committee was advised that it was unclear when the dividend would be received from Cardiff Bus, but it was envisaged the monies would become available once Cardiff Bus had closed its accounts at the end of March 2015.

Members of the Committee noted the Corporate Budget of £2.6M which could not be compared to Directorates Budgets. One element was related to the Fire Authority Levy of £15M, who had been asked to reduce this amount. A positive response had been received from the Fire Authority, however it must be recognised that a major

slice of the Fire Authorities precept was allocated to Cardiff due to its size in population.

County Clerk and Monitoring Officer Directorate briefing

The Chairperson invited Councillors Bale, De'Ath and Marie Rosenthal to the meeting.

Councillor De'Ath advised the Committee that this was the smallest Directorate in the Council. It was essential that Scrutiny Services be protected as this was at the forefront of Members interests. A savings would be found as part of the Members ICT project, along with a mini restructure in Democratic Services with vacant posts not being filled. Members Training would also be reduced and the introduction of Modern.Gov would support the administration process at a lower cost overall.

The Committee were concerned that tablets issued to Members as part of the ICT project were always reliable and asked if there was a contingency plan when this occurred. The Committee was advised that ICT along with Microsoft were aware of these issues and were addressing the technical faults.

Members of the Committee were advised that currently there was no increase in income as these were statutory provisions. Scrutiny Research was in a position to attract additional income and another possibility was the working towards shared services. A Communications review was underway and it was hoped that savings would be met by the reduction in the amount of paper copies being issued to Members.

Economic Development Briefing

The Chairperson welcomed Councillor Bale and Neil Hanratty, Director to the meeting.

Councillor Bale advised the Committee that Economic Development had taken a large amount of reductions recently. It was essential now to support this provision and move forward looking a economic growth in the city. Delivery mechanisms needed attention and how these were provided. The Corporate Plan was a significant document to support these aspirations and to move Cardiff towards being a major core city.

The Committee noted the overspend at Month 6 which had been controlled by a restructure. A majority of the income related to property but some of the income received this year was linked into last years figures. These issues came to light at Month 5 but the overspends were being managed.

Councillor Bale explained a financial loss from the Do Who Experience had been an issue and a solution was being developed. A re-launch was considered as most people knew about Dr Who, but were not aware it was based in Cardiff.

The Committee noted the increase in income generation which raised £29M. This was as a result of income fee from management of workshops, based on construction design and not from staff selling services.

Resources Directorate Briefing

The Chairperson invited Councillor Hinchey and Christine Salter to address the Committee.

Christine Salter advised the Committee that targets had been set over 3 years, with £6.4M, £16.9M - £9.4M over the next 4 years. A Finance Service Review was being developed to address costs over all whilst adapting to change with a 30% reduction.

The Committee was advised that reducing costs was essential; income generation was being encouraged with a Teckal arrangement possibly being adopted. The structure of the workforce would change and needed to be more focused and tailored in order to deliver priorities. Up Skilling and training was imperative to the change agenda and this would contribute towards overtime costs.

Members of the Committee recognised this was a major challenge for the Council, but working effectively was being encouraged in order to achieve this. The Wales Audit Office Corporate Assessment recommendations were being actioned and levels of compliance were being increased. Procurement rules were changing and this would have an impact on services. Human Resource practices were also being monitored due to the high number of sickness absences and managers not following correct procedures to control these issues.

The Committee was advised that as part of the Commissioning and Procurement Savings Proposal a two stage savings process was being considered which would split the current organisation into a Strategic and Operational team and then move the Strategic team into an alternative Operating Model.

Members of the Committee were advised that the Finance Service Review identified that Finance Service had the capacity to maintain strong financial control and advice and add value whilst reducing its cost base. By implementing the recommendations from the Review the Finance Service would at the same time be able to reduce its cost base by £570,000 in 2015/16 and over 3 years by £1.679M. This reduction was dependent upon consideration of the activities the Finance Service undertook, business process improvements, reducing failure demand and identifying income and cost sharing opportunities.

Councillor Hinchey drew attention to changes in Central Transport Services, with a more customer focused approach being adopted and running the service as a community enterprise.

The Committee noted there were no resources to run technical accountancy. Currently the provision was supported by Managing Accountancy and these skills were being combined to provide support.

Communities, Housing and Customer Services

The Committee welcomed Councillor Peter Bradbury, Councillor Graham Hinchey and Sarah McGill, Corporate Director to provide information.

The Committee were concerned with some of the reductions being made to grants and asked if there were plans in place to support and identifying additional funding.

Sarah McGill acknowledged the concerns and explained that procedures were being established to join up back office support for continued improvement. Opportunities of joined up working were coming forward and would hopefully be developed in the near future.

Councillor Bradbury explained that currently the Council was not in a position to provide the amount of support for grants that it had in the past. It was important that alternative support be identified from partners and this would also include neighbourhood provision. Capital projects would also be addressed, levels of borrowing would be assessed and subsidies would be decreased once partnerships were developed to provide this support.

The Committee recognised the demand being placed on Concierge Management and the Formal Alarm Service was being built into the budget streams.

Members of the Committee suggested that community buildings be looked at again with the possibility of some community groups using these buildings for meetings. In response Councillor Bradbury assured the Committee that it was essential for the Council to support community groups and this was the direction they were moving towards to create a more sustainable and liveable city. It was acknowledged that in the past community groups had benefited from a subsidy for use, however, derelict buildings could be identified and provided to groups to maintain and bid for lottery funding.

The Committee was advised that changes were being made to the Housing Revenue Account and even though this was ring fenced, the amount for Tenants Groups was not reduced.

Councillor Hinchey explained that community support was identified in the Corporate Plan, along with plans being developed to build stronger and more sustainable communities in the future. It was essential to gain an insight into what people wanted from their communities and how this could be delivered with fewer resources.

RESOLVED: The Committee AGREED to write to Councillor Graham Hinchey, Cabinet Member for Corporate Services and Performance to outline the following:

The Committee noted that whilst recognising that the overall Council position has improved since the Month 4 projections were reported, the Committee remained concerned about the Council's monitoring position. In particular, Members are concerned that many Directorate positions continue to show considerable variances against 2014/15 savings targets. Members questioned whether this was the result of 'poor budgeting' or 'poor management', feeling that both are likely to be true. You stated that challenge sessions with Cabinet Members and Directors are starting to bear fruit in ensuring that the budget position 'goes in the right direction' and that you are planning as far as possible to avoid scenarios such as the unanticipated costs in continuing healthcare which the Health and Social Care directorate has experienced this year. Given the underachievement against many Directorate savings proposals, the Committee would like to reiterate the point it has made on several occasions about the need for visibility and scrutiny of methods for achieving alternative savings.

Members were concerned about the effect of the delays in implementing savings proposals agreed as part of the 2014/15 budget, for example in finding a new management operator for St David's Hall. As a number of the 2015/16 budget proposals which have been put forward for consultation include similar projects, the Committee emphasised the need to drive forward such projects.

Members noted the considerable variance in the Capital Programme and in particular the slippage and overspend where the Education programme is concerned. We would like to bring this to the attention of the Children and Young People Scrutiny Committee and I have therefore copied this letter to the Chair of that Committee for information.

Budget 2015/16 – consultation proposals

Having for some years pushed for budget proposals to be released earlier, the Committee very much appreciated that the public have been given a longer period during which to share their views. The Committee considered the Cardiff Debate methodology at its November meeting, and while there were divergent views among Committee members about the effectiveness of the programme, the principal of consulting on the budget at the earliest possible stage is one which we endorse. Although it is not an easy issue to solve, the Committee recommends that more is done to advertise the remaining engagement events and to ensure that those who prefer not to access online surveys are aware that they can obtain paper versions from some Council buildings. The Committee would also like to understand at what level of response (as a percentage of the population) the Cardiff Debate results will be judged to be statistically reliable, in comparison with similar budget engagement activities nationally. I would be grateful if this information could be provided. The Committee asks to have access to the results of the Cardiff Debate available at its February budget meeting, so I would be grateful if your officers would work with Scrutiny Services to ensure that they are available.

In terms of the proposals themselves, the Committee would be undertaking a more detailed scrutiny at its February meeting once the results of consultation are known and therefore did not get into detailed discussions at this meeting. However, given the Month 6 position, Members would like to reiterate the concerns which they expressed in previous years regarding the achievability of budget savings. Many savings seem to have been proposed in areas reporting shortfalls this year against similar savings targets. The Committee was concerned that this year no contingency seems to have been built into the budget proposals and recommend that this is addressed in the final proposals.

Directorate Budget briefings

Finally the Committee would like to express its thanks to the Cabinet Members and officers who attended the meeting to brief the Committee on their budget monitoring positions and to set out the process for developing the 2015/16 budget proposals. We appreciated their time and the contextual information which this item provided.

15 : CORRESPONDENCE - INFORMATION REPORT

The Committee was advised that following meetings, the Chairperson wrote letters to the relevant Cabinet Member or senior officer, summing up the Committee's comments, concerns and recommendations regarding the issues considered during that meeting. The letter asked for a response from the Cabinet Member to any recommendations made and sometimes requested further information.

A copy of the Correspondence Monitoring Sheet detailing the Committee's correspondence was noted.

RESOLVED: The Committee AGREED to note the content of the letters attached to this report and decided whether it wished to take any further actions, or requested any further information.

16 : DATE OF NEXT MEETING

6 January 2015

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INVESTMENT PROPERTY REVIEW

Reason for the Report

1. To give the Committee the opportunity to consider a review of the Council's Investment Property that the Cabinet has recently commissioned, and provide scrutiny viewpoints to the Council Leader and officers to help shape the Council's emerging strategy for managing its non-operational property estate.

Background

2. At their 4 November 2014 meeting, Members received an extensive background briefing on the Council's property estate. In advance of the meeting a scrutiny cover report¹ was issued, describing the Committee's longstanding interest in the management of the Council's estate, which comprises both operational property (from which the Council operates and delivers services), and 'non-operational' or 'investment' property (which is often let for commercial return or to promote local employment, small businesses and the economic regeneration of local areas). The cover report also detailed past scrutiny issues, issues raised in the WLGA Peer Review and WAO Corporate Assessment relating to the Council's management of its property assets, and plans for improvements in this area within the Economic Development Directorate's Delivery Plan 2014-15 and the Council's Programme for Organisational Change.
3. At the meeting on 4 November, the Leader, Councillor Phil Bale, and Cabinet Member for Corporate Services and Performance, Councillor Graham Hinchey, were joined by

¹Available on the Council's website at:
https://formerly.cardiff.gov.uk/objview.asp?object_id=29451

Neil Hanratty, Director for Economic Development, and Charles Coats, Corporate Property and Estates Manager to present the Council's draft Property Strategy to the Committee prior to it being considered by Cabinet on 20 November. In the letter sent to Councillor Hinchey following the 4 November meeting, amongst other points the Committee:

- expressed their disappointment about the contents of the draft Strategy given the 18 month delay. Members had expected to see more detail of direction of travel, and noted that several pieces of work were yet to be completed;
- noted positive steps in terms of partnership working;
- as the Property Strategy dealt extensively with Operational Property, Members requested to consider the Investment Property Review in pre-decision, so asked for confirmation of its availability;
- agreed to consider the annual Corporate Asset Management Plan for inclusion in future work programmes;
- did not feel the Council's vision had been addressed and reiterated the need to use property for community and social benefit as well as financial gain. Members recommended the amendment of the draft Strategy to reflect this;
- recommended further detail should be included in the Strategy regarding benchmarking and Member engagement with disposals.

4. It was agreed to present a review of the Council's Investment Property commissioned from JLL Consultancy to the Committee's January 2015 meeting. Members will find a copy of this Review document attached for information at **Appendix A**. The document contains an overview of the local investment property market, the planning context, a review of the Council's portfolio and suggestions towards future strategy in this area. The report provides 18 recommendations for the Council to consider, in areas spanning; the renewal of the Council's Investment Asset Strategy; categorisation of existing assets; agreement of the implementation plan; and operational management of the Estate.

Previous Scrutiny

5. The Committee has considered property-related issues on several occasions during the last two years. Key messages contained within letters from the Committee to Cabinet have included:

- the urgency with which the Council's strategy for its property estate should be addressed;
- the need for a strong rationale for the use of the estate in future;
- Members' concern regarding the estate maintenance backlog;
- that due consideration should be given to the Council's estate in terms of its potential social and community benefits, as well as to potential financial benefits from any disposals;
- the need to compare the performance of our estate to the performance of that of the Core Cities;
- the need to develop explicit performance measures for the estate;
- that local Members should be involved as decisions concerning disposals develop;
- that a medium- to long-term view of the use of the estate should be taken, rather than a short-term/annual point of view.

Scope of scrutiny

6. The Investment Property Portfolio Review makes clear and far reaching recommendations for the Council to consider, but which does not represent agreed Council policy. Given that the Council's non-operational estate provides employment, social and economic development and secures the delivery of various non-Council services in most if not all of the Council's electoral wards, it is likely that the Investment Property Portfolio Review will raise issues that will be of wide interest to local Members. The Review is likely to provide the structure and direction of travel for a future Council strategy which will be agreed by Cabinet, but at this stage the Cabinet is seeking Scrutiny views to test the merits of the various recommendations, and to debate how the wider Membership can be involved in shaping future decisions on the way the Council best uses and manages its non-operational property.

Way Forward

7. Councillor Phil Bale, the Leader, has been invited to attend the meeting and may wish to make a statement. Neil Hanratty, Director for Economic Development, and Charles Coats, Corporate Property and Estates Manager, will be in attendance to answer Members' questions. Chris Sutton of JLL will be in attendance to present his review.

Legal Implications

8. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

9. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

10. The Committee is recommended to:

- i. consider the information presented in this report and at this meeting;
- ii. discuss how the wider Membership of the Council could be involved in debate on issues stemming from the review; and
- iii. decide whether it wishes to make any comments or recommendations to the Cabinet.

MARIE ROSENTHAL

County Clerk and Monitoring Officer

30 December 2014

Background papers:

Cardiff Council draft Property Strategy, November 2014

Policy Review and Performance Scrutiny Committee papers, 4 November 2014

Policy Review and Performance Scrutiny Committee papers, 1 July 2014

Policy Review and Performance Scrutiny Committee papers, 3 June 2014

Policy Review and Performance Scrutiny Committee papers, 17 April 2013

Cabinet report – Establishing a Programme of Organisational Change for the City of Cardiff Council, 15 May 2014

Wales Audit Office, Annual Improvement Report including the Corporate Assessment 2014 of the City of Cardiff Council, September 2014

Cabinet Report – Wales Audit Office Corporate Assessment, 18 September 2014



Public Sector Consultancy

Review of Cardiff City Council Investment Property Portfolio

December 2014



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Appendix 8 Lease Renewals 2018-2019

Appendix 9 JLL Retail 2020 - The New Retail Notebook – 5 key lessons from the future

Key Recommendations

Renewal of the Councils Investment Asset Strategy

1. The corporate property strategy to be submitted, setting out the vision for the asset base and how each classification of assets would be treated.
2. We propose streamlining the existing investment portfolio and a future growth agenda focused upon improving the quality and quantity of the portfolio.
3. We recommend that there is a future focus upon acquiring prime assets which fit the growth agenda of Cardiff, a “Core City” at the heart of the Cardiff Capital City Region.
4. The Council to leverage it’s position through land ownership, marriage value and planning to create value. However, efforts must be made to ensure that private sector development and investment is encouraged and does not perceive the Council as a “blocker”.
5. The investment mandate to be informed by a detailed gap analysis.

Categorisation of the Existing Assets

6. We recommend the disposal of the following categories of properties:
 - Rack Rent Shops (84 No)
 - Workshop Estates (9 estates)

Note: the sale of workshop schemes at Douglas Buildings and Royal Stuart Workshops to be held in abeyance pending the outcome of the Cardiff Bay Master plan.

7. We recommend the selective sale of property assets from the following categories, but only where there is a strong business case:
 - Ground Rent Shops
 - Pubs and Clubs
 - Industrial Ground Leases
 - Other Properties
8. We recommend that alternative modals of ownership or management are explored for the following categories:
 - Community Assets
 - Central Market
9. All other properties, including the majority of those assets referred to in recommendation 7, to form the nucleus of the re-engineered investment portfolio.

Agreement of Implementation Plan

10. We recommend agreement upon a disposal register and target timescale for disposal.
11. We recommend a three month window be agreed for a short sharp asset management programme to include:
 - Clean legal title
 - Resolution of outstanding lease events
 - Planning/development opportunities
 - Collation of technical reports
 - Production of Energy Performance Certificates
 - Clearance of rental arrears
 - Minor repairs and dilapidations
 - Other management issues
12. A decision will need to be made on whether or not to offer freeholds to tenants. Our recommendation would be to avoid such tenant sales except where there is an isolated property/ground lease.
13. We recommend primary consideration be given to the following methods of sale:
 - Auction
 - Informal tender
 - Private treaty
14. In terms of lot size, our recommendation is to consider larger portfolios or estate sales rather than individual property sales. This is likely to be by way of informal tender or private treaty with auction offering a solution for standalone properties.
15. The Council needs to consider whether to pursue a joint venture or asset backed vehicle. Our view is that this is likely to prove more attractive for development or regeneration rather than for asset realisation.

Operational Management of the Estate

16. The proposed streamlining of the portfolio set out above should bring significant operational benefits to the Estates Department and in the medium term, free up their time to offer more proactive management of the core portfolio.
17. Our recommendation would be to create transparency of the estate management costs and benefits by combining responsibility for lettings and day to day management of investment properties in one department.
18. There is the opportunity to investigate a new model of estate management with a public/private model for outsourcing.

1 Instructions

JLL is instructed to provide a high level strategic overview of the Council's non-operational (investment) property estate.

By way of background, it is envisaged that the Council will be subject to significant financial pressures over forthcoming years. This will be a key driver towards ensuring that the Council makes the best use of its existing assets and re-assesses income earning opportunities from the let estate to generate additional income and investment value.

The main focus of this report is to consider the above issues. However we are also instructed to provide a broad-based 'gap analysis' of employment sites and buildings in Cardiff and consider new models of ownerships for the ownership and strategic management of the investment estate. Finally, we have reviewed the Council's estate management function which will include their work in relation to both the investment and operational estate.

This report seeks to build upon the internal review already undertaken in 2012 which set out a framework and rationale for the investment portfolio. The outcome of this review will be used to inform a new 'Property Strategy' which the Council intends to publish in October 2014.

We are grateful for the time and cooperation received from the Estates team.

2 Market Overview

2.1 General Market Overview

There has been an overall improvement in the property market in 2013-14 as we have seen the UK economy move into a period of economic recovery. As the outlook has improved, so there has been rising demand from both investors and occupiers for good quality buildings and sites in Cardiff.

With limited speculative development over recent years, there are now gaps in the supply of new and modern stock in both the office and industrial sectors. There has been a welcome return to speculative development in the office market over the past twelve months with the two dominant developers being J R Smart (Builders) Ltd and Rightacres Developments Ltd. These developers are bringing forward schemes at Capital Quarter and Central Square respectively.

In the retail sector, the City has now adjusted to the £675 million extension to St David's shopping centre which opened in 2009. The extension is now almost fully let and the arrival of John Lewis' first store in Wales and the overall quantum of floorspace in St David's 2 has changed the dynamics of the retail centre. The prime shopping location has now shifted southward toward The Hayes and fringe locations on Queen Street have had to readjust their focus with the arrival of local supermarkets, health and leisure and other convenience stores.

There has been little or no new development in the industrial sector although Viridor has completed a new £150 million waste to energy power generation plant at Trident Park, Ocean Park. In addition, Pinewood Studios Wales has acquired the 177,000 sq ft former G24i plant at Wentloog, Cardiff. This has added further to the strong creative industries cluster that has emerged within the City, most notably the relocation of the BBC Drama Village to Roath Basin.

2.2 Cardiff Capital City Region

Cardiff has a population of 346,000 (2011 Census) which represents an increase of 12% (36,000) since 2001. The City has a relatively young population with the smallest proportion of over 65s (13%) of any Council area within Wales.

Cardiff accounts for 32% of total employment in South East Wales and its economy is considered to be relatively strong and buoyant in a UK context. Cardiff's employment workforce totals nearly 189,000 with 88% of jobs being in the service sector (source: Deposit Local Development Plan).

Cardiff and the Vale of Glamorgan generate 22% of the Welsh GVA (Gross Value Added). Unemployment in Cardiff was 4.5% in March 2013. The recession has caused the loss of approximately 4,700 jobs in 2008-2010, however Cardiff has one of the highest percentages of high growth firms in the UK in 2002-2010.

The Capital City forms the focal point of the Cardiff Capital City Region which combines the ten Local Authorities of South East Wales, ranging from the Severn Bridges in the east to Swansea in the west and northward to the Heads of the Valleys Trunk Road.

Cardiff provides the administrative, political and commercial centre for the City Region with the linear nature of the valleys and coastal belt helping to reinforce the 'hub' nature of the City Centre in a regional context. Cardiff has recently joined as the tenth member of Core Cities UK.

There are a number of emerging policies in Wales which take a wider perspective and which will put Cardiff at the centre of economic development policy in the years to come. The emerging policy of 'City Regions' has seen a board appointed to consider matters of governance and investment priorities. The Sir Paul Williams review on local Government reorganisation set out recommendations in January 2014 for a reduction in the number of Local Authorities from the current 22 to 10-12 Councils, with a proposal that Cardiff merges with The Vale of Glamorgan Council.

Additionally, we have seen an on-going programme of planning reform which seeks to establish a National Planning Framework (NPF) as well as a Strategic Development Plan (SDP) for the Cardiff Capital City Region (together with SDPs for Swansea Bay and the A55 corridor).

Other national policy frameworks including The Wales Infrastructure Investment Plan (WIIP) and Dr Grahame Guilford's independent review of EU structural funds 2014-2022, which recommended the development of an 'economic prioritisation framework' for Wales.

The EU Assisted Areas were revised in July 2014 and these have been extended within Cardiff to include a greater portion of the City Centre. This was agreed because the Central Cardiff Enterprise Zone had been established over 140 acres of the City Centre, located both north and south of the Central Train Station.

There are significant infrastructure works proposed over the next 10 years with the most important being:

- **Main Line Rail Electrification** – the UK Government has committed to the electrification of the main line between London Paddington and Cardiff Central, although it has been reported in the press that the price has recently increased from c.£1 billion to £1.6 billion. In addition, there has been agreement to extend electrification westward to Swansea and northward into the Valleys although there remains a dispute as to who will eventually pay for this additional investment.
- **Metro** – allied to the electrification of the Valleys lines, the Metro project has been developed as a transport and regeneration project. This report outlined how an integrated transport network could help create a cohesive City Region and looks to provide an enhanced network using rail, light rail, trams and bus rapid transport to encourage higher density development and regeneration around Metro stations.
- **M4 Relief Road** – in November 2013, the Brynglas Tunnels were identified by the Prime Minister as a "... foot on the windpipe of the Welsh Economy" and funding powers were granted to Welsh Government of c. £500 million. In July 2014, the Business Minister announced that the 'black route' had been chosen with construction due in the period 2018-2022. There has been a lobbying campaign against this route and it is possible that an Inquiry will be required to confirm the route.
- **Extension to Peripheral Distributor Road (PDR)** – the contract has been placed for the construction of a one mile stretch of the PDR between the Queen's Roundabout at the southern end of the Central Link Road and the Docks entrance adjacent to the heliport. This will remove congestion within Ocean Park but will highlight the need for further investment to complete the eastern bay link in order to complete the PDR.

All of the above infrastructure projects will be of significant benefit to Cardiff, with mainline electrification and the M4 Relief Road having the most impact in terms of growing economic development within Cardiff. By contrast, the Metro is all about improving communications and spreading wealth within the city region. It is therefore a project which should take place after the improvement to external communications as it will not necessarily be as impactful in terms of improving GDP.

2.3 Investment Market Overview

The last twelve months have seen a significant improvement in the investment market for commercial property. In part this has been fuelled by an increase in available funds for investment and also a shift away from London and the South East, which is now considered by many property investors to be overheated and not offering the same value as stronger regional markets.

The office sector has been the strongest performer in Cardiff with c. £200 million of transactions undertaken in the past twelve months. Cordea Savills acquired Belmont House, Legal & General acquired Hodge House and Fidelity bought Fusion Point II. There has also been an influx of overseas capital with Crickhowell House acquired by Kuwait investors and Willcox House, Celtic Gateway sold to Hong Kong based investors.

Prime yields remain stable at 5.75-6.5% whilst good secondary yields are in the region of 7.5-9% with secondary/tertiary yields at 10%+.

In the retail sector, we have seen a strong level of demand for well let retail investment properties in Cardiff City Centre with, for example, the TK Maxx investment on The Hayes selling at 5.75% net initial yield and 63/77 Queens Street (Topshop, Topman, Zara and River Island) sold at 5.6% net initial yield.

The hotel and leisure sector has also been active over the past 18 months with investors looking for alternatives to the core property sectors due to competition, the lack of traditional stock and the availability of longer term lease commitments, often with index linked rent reviews. For example, the leisure complex on Mary Ann Street (including Cineworld and Gala Casinos) sold for £19 million reflecting 6.89% whilst Novotel on Atlantic Wharf and the Ibis Hotel on Tyndall Street sold for 6.5% and 5.5% respectively.

In summary, the weight of money from institutional investors remains strong and this should support pricing for the next six months. However, the UK General Election may create some uncertainty in this regard. To date, there has been a substantial risk premium between prime and secondary investments however, this margin should reduce over the next two years as the outlook improves.

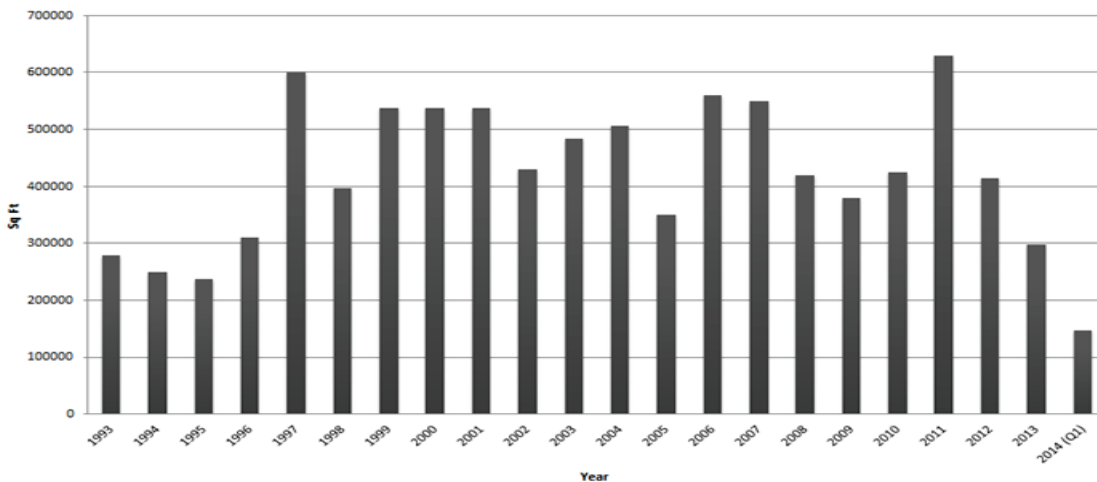
Alternative investment sectors, including student accommodation, healthcare and hotels have all grown in popularity however; the key criteria remain the investment fundamentals of covenant, lease length and rental.

2.4 Occupational Markets

There has been some concern that the occupational markets have lagged behind the investment markets.

Offices: - Cardiff office take-up was strong in Q1 2014, in part due to a disappointing year end in 2013. It is, however, unlikely that 2014 will see take-up see the long term average of 400 sq ft per annum.

Office Take-Up – Cardiff 1993-2013



The key Grade A transactions relate to ITV and Welsh Government’s Life Science Hub, who collectively acquired 23,000 sq ft at 3 Assembly Square. In October 2014, Alert Logic moved into No.1 Capital Quarter whilst Finance Wales and Balfour Beatty were other occupiers to be attracted to this building.

JR Smart has announced plans to construct a further 85,000 sq ft at Capital Quarter whilst Rightacres has confirmed the speculative development of 135,000 sq ft at The Central Square scheme, fronting the River Taff. BBC Wales has confirmed Capital Square as its preferred location for a new 150,000 sq ft headquarters building which will involve a very significant IT fit-out. The other occupier enquiry which has dominated recent news coverage is that of Deloitte which may confirm the transfer of 500 back-office jobs from London to Cardiff, mirroring a similar announcement recently made in favour of Belfast.

There remains a critical mass of occupier enquiries for Central Cardiff Enterprise Zone combining both inward investment projects and relocation requirements, including Legal & General, Blake Morgan and Geldards.

Industrial: - In the industrial markets, there has been relatively little activity over the last 7 years due to the economic downturn. However, there is now increased demand across the distribution and manufacturing sectors together with related sectors including trade counter and energy.

In the distribution sector, Aldi stores have secured Planning Consent to develop a 450,000 sq ft Regional distribution centre (RDC) on 35 acres of land acquired by them in 2005 on Capital Business Park, Wentloog.

There has also been an upturn in interest from parcel carriers and other internet related businesses. In 2012, UPS acquired 45,000 sq ft in Wentloog (the former Maskreys warehouse) whilst DHL and Smiths News both upgraded their premises elsewhere along the M4 corridor. DPD Geopost has an outstanding requirement for an 80,000 sq ft cross dock distribution warehouse and is currently considering a site in Wentloog.

As previously noted, Viridor has completed a waste to energy incinerator plant in Trident Park which has the capacity to handle 350,000 tonnes of commercial and domestic non-hazardous waste whilst Pinewood Studios Wales acquired the Wentloog Energy Centre.

At the smaller end of the market, occupancy levels remain high on multi-let industrial estates in both private and public ownership. There is certainly latent demand for additional accommodation, particularly with flexible lease terms and cost effective rents.

3 Planning Context

3.1 Policy overview

Cardiff City Council has reached the final stages of adoption in the preparation of the statutory development plan. The Deposit Local Development Plan (LDP) (September 2013) is timetabled to be reviewed in the Examination Hearings with the Planning Inspectorate for January 2015. The expected adoption date for the Deposit LDP is late May 2015. Therefore, for the purposes of this report, the portfolio of assets identified for disposal or alternative uses would be assessed using the Deposit LDP.

The Vision

The Deposit LDP vision is: 'By 2020...Cardiff will be a world class European capital city with an exceptional quality of life and at the heart of a thriving city-region.'

Cardiff Council has set strategic outcomes that, if achieved would realise the above vision. The outcomes are:

- People in Cardiff are healthy;
- People in Cardiff have a clean, attractive and sustainable environment;
- People in Cardiff are safe and feel safe;
- Cardiff has a thriving and prosperous economy;
- People in Cardiff achieve their full potential;
- Cardiff is a great place to live work and play;
- Cardiff is a fair, just and inclusive society; and
- Cardiff has a thriving and prosperous economy.

The Cardiff Context

Cardiff has the Central Cardiff Enterprise Zone (CCEZ) (identified in figure 1 below) created to incentivise public sector investment, to entice and prioritise this type of investment to Cardiff.

Figure 1 – Central Cardiff Enterprise Zone (CCEZ)



Inward investment trends are improving but continue to trail other leading core cities. The city centre and Cardiff Bay remain the principal office locations complemented by out of centre sites. However, Cardiff lacks a large supply of Grade A office space and the Deposit LDP supports the on-going regeneration of the Bay Business Area, including Mount Stuart Square.

The total industrial stock in Cardiff is approximately 19.2 million square feet and mainly concentrated in the south/eastern area of the city. There is an impression of ageing portfolio with only 6.1% of the stock is less than 5 years old.

Cardiff city centre is the main shopping centre for South East Wales and is ranked the 6th top retail centre in the UK. The development of the extension to St. David's Shopping Centre has significantly boosted the service sector employment and helped achieve this ranking.

The leisure and tourism sector also generates significant economic and cultural benefits for the city. The aspiration is to provide a new conference centre within the city centre, demonstrates the Council's support to continue to develop this sector of the economy.

In summary, the strategic goals of the Deposit LDP are as follows:

- To respond to evidenced economic needs and provide the necessary infrastructure to deliver development;
- To respond to evidenced social needs;
- To deliver economic and social needs in a co-ordinated way that respects and enhances Cardiff's environment; and
- To create sustainable neighbourhoods that form part of a sustainable city.

Relevant Deposit LDP Policies

The core economic policies in the Deposit LDP that will deliver these strategic objectives are below:

Policy EC1 (Existing employment land) seeks to protect the city's existing employment areas, outside of the Central and Bay Business Areas, to be protected for B Use Class employment generating uses, together with ancillary or complementary uses referred to in policy EC2.

Policy EC2 (Provision of complementary facilities for employees in business, industrial and warehousing developments) sets out that the provision of open space, public realm, leisure, food and drink, and child-care facilities will be appropriate in office, industrial and warehousing developments, provided the facility is of an appropriate scale and nature, intended primarily to meet the needs of workers in the vicinity, therefore not attracting significant levels of visitor traffic into the area, or exacerbating existing traffic conditions.

Policy EC3 (Alternative use of employment land and premises) is extremely important when assessing alternative use of business premises. The following criteria must be addressed and met to be permitted:

- "i. The land or premises are no longer well-located for business, industrial or warehousing use; or*
- ii. There is no need to retain the land or premises for business, industrial or warehousing use, having regard to the demand for such land and premises and the requirement to provide for a range and choice of sites available for such use; and*
- iii. There will be no unacceptable impact on the operating conditions of existing businesses."*

Policy EC4 (Protecting offices in the Central and Bay business areas) states that the alternative use of offices in the Central and Bay business areas will only be permitted where it can be demonstrated that there is no need to retain the site or premises for office use, having regard to the demand for offices and the requirement to provide a range and choice of sites available for such use.

3.2 How the portfolio can meet the strategic goals of the LDP

The Council is to effectively respond to the role as capital city of Wales, where National Government sits, providing a range of economic opportunities to drive forward the prosperity in the region.

The Deposit LDP identifies that the city centre must remain the major retail and cultural destination as a place to work, visit and live. In addition, the regeneration of Cardiff Bay must continue, maximising opportunities for commercial and other forms of development.

The Deposit LDP has identified the following specialist sectors and research & development to be promoted:

- ICT;
- Energy and environment;
- Advanced materials and manufacturing;
- Creative industries;
- Life sciences; and
- Financial and professional services.

The policies contained within the Deposit LDP seek to provide a range and choice of employment land / premises to create growth and attract inward investment.

Recommendations

In order to deliver and meet all of the strategic objectives and policies of the Deposit LDP, Cardiff Council Economic Development Department should have a mechanism in place to consult with Strategic Planning Policy and Development Control officers, prior to disposing of any Cardiff Council owned assets.

It is also recommended that for assets of significant importance that a planning brief would be prepared to assist developers / purchasers and to ensure that the aspirations of the Deposit LDP are met.

A joined up approach, with good communication between all relevant departments is vital in meeting the vision of the Deposit LDP.

4 Portfolio Review

4.1 Methodology

Following our appointment, a project initiation meeting was held with the Council on 19th September to discuss the proposed methodology and establish the property data required. Present at the meeting were Messrs Neil Hanratty, Charles Coates and Steven Watkins from the Council and Chris Sutton, Martin Little and Paul Tarling from JLL.

We agreed the broad scope of the review and the materials/information that would be required. The Council subsequently provided a number of spreadsheets detailing the properties within the portfolio from which we have produced a composite version for the purpose of the review.

We were also provided with a copy of a review of the non-operation estate that the Council prepared in 2012:

- A copy of a review produced by Savills in 2013 in respect of the workshop estate;
- A chart detailing the Council Senior Management structure dated 1st April 2014;
- A document detailing the structure of the Economic Development Service Area; and a plan showing the location of the assets.

As agreed in the initial meeting, the first week was spent in assembling and reviewing the available information to categorise the properties in order to produce a definitive schedule. Martin Little and Paul Tarling also met with Steven Watkins again on 22nd September in order to better understand aspects of the estate management structure.

Chris Sutton held a separate meeting with the Leader of the Council on 25th September to listen to his perspective on the issues.

In the second week, Martin Little and Paul Tarling viewed a representative sample of the properties within the portfolio and we completed a desk top study of the available information.

Chris Sutton, Justin Millett, Martin Little and Paul Tarling met with Steven Watkins and Steven Myers from the Council again on 6th October to review the property categories and discuss our initial thoughts. The remainder of this week was spent reviewing our initial conclusions and finalising our recommendations.

We began compiling the report the week commencing 13th October with several iterations being necessary in the light of additional information received with regard to the base property data.

4.2 The composition of the portfolio and sector categorisation

The investment portfolio is a legacy estate rather than one which has been consciously constructed as part of a proactive investment strategy and is typical of most local authority property assets. It comprises 565 properties (including 143 industrial units on 9 workshop estates) which the estates team divide into 10 generic classifications.

Tables showing a breakdown of the classifications are set out below and a copy of the composite schedule and summary data can be found at Appendix 1-8.

Generic Classification	Number of Properties	Outstanding Rent Reviews *	Outstanding Lease Renewals*
Rack rent shops	84	34	19
Ground rent shops	51	10	1
Commercial Properties (mainly city centre)	18	3	0
Pubs and Clubs	25	7	2
Hotels	6	1	0
Industrial Ground Leases	96	24	2
Workshops	143 units on 9 estates	0	15
Community Assets	54	23	10
The Central Market	1	0	0
Other Properties	83	21	16
Total	561	123	65

For the purpose of the review we have broken these generic classifications down into 25 separate sub categories as follows:

Sub Category	Number of Properties	Outstanding Rent Reviews*	Outstanding Lease Renewals*
Advertising	2	2	0
Agricultural	4	3	1
Army Cadet facility	1	0	1
Arts, performance and entertainment facilities	4	3	1
Car parking	12	1	1
Care homes and hostels	15	6	2
Church and associated premises	5	2	0
Community centre	9	2	2
Education and training	6	0	1
Garage	4	2	3
Heliport	1	1	0
Hotel	6	1	0

Sub Category	Number of Properties	Outstanding Rent Reviews*	Outstanding Lease Renewals*
Indoor Market	1	0	0
Land	11	5	2
Licensed and Leisure	25	7	2
Light Industrial	89	21	1
Museum	1	0	0
Offices	11	1	1
Residential	13	0	0
Retail (including mixed use)	143	46	20
Scout associated land and buildings	19	10	5
Small business workshop	143 units on 9 estates	0	15
Sport associated facility	22	6	4
Storage Premises	2	1	1
Utilities associated buildings and infrastructure	12	3	2
Total	561	123	65

* It should be emphasised that the apparently large number of outstanding lease events (rent reviews and lease expiries) is not untoward and there are often similar levels of outstanding events in private sector portfolios.

There are many reasons why events are not actioned which will include properties where the rent is already in excess of current market value with little prospect of an uplift or where only a minimal increase can realistically be expected. We have examined the circumstances of each event and while there are a number that need to be resolved we are satisfied that there are good reasons for the majority.

In these circumstances it is often prudent to leave the event outstanding in lieu of future negotiations. It should also be noted that many of the outstanding events relate to community type assets which we understand are considered by the Council to be a low priority in view of the availability of resources.

The key data and our observations in respect of the various components of the portfolio are set out below:

Rack Rent Shops



Location/Property Type

The majority of these properties are post war retail parades in suburban locations serving residential estates.

Tenant Profile

The tenants are predominantly independent traders. There is limited prospect of increasing the quality of the tenant mix or attracting national multiples with voids and empty rates liability likely to be an ongoing problem.

Number of Properties

84

Rental Income

Gross = £493,636 per annum
Net = £61,025 per annum

Annual Expenditure

£382,851 (business rates, maintenance and security)

Maintenance Backlog

£883,900

Outstanding Lease Events

34 rent reviews
19 lease expiries

Other Management Issues

The shops are all let on internal repairing leases with the Council retaining responsibility for external repairs. These properties account for the majority of the estates department annual maintenance budget and are in need of significant investment.

The nature of the tenant profile and the leasehold structure requires a disproportionate amount of officer time to deal with management issues, relative to the amount of rental income received.

Market Context

Generally secondary/tertiary, multi-let neighbourhood shopping parades, let to smaller local businesses on tenant's IRI leases.

Potentially saleable but management intensive and with a current high level of irrecoverable costs. Gross income is £493,636 pa with a net income of only £61,025 pa, however value will in some instances be underpinned by vacant possession value.

A period of intensive asset management and preparation (say, 3-6 months) required prior to marketing to present the properties in their best light and to identify/understand any redevelopment potential. To achieve best value it may be necessary to demonstrate that a higher level of net rent is achievable.

Target purchasers are often more difficult to identify for this type/quality of retail stock.

Recommended methods of sale would be private treaty, auction or a portfolio sale, in whole or part.

Whilst owner-occupier sales could be considered, this would be management and time intensive. It would lead to split ownerships in parades, creating future management issues.

We recommend that the minimum lot size is individual parades unless there are special circumstances.

If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but this is likely to impact on value.

Conclusions

Attached as an Appendix is a copy of a JLL report that forms part of an ongoing retail research programme - the Retail 2020 Study. "The New Retail Rulebook: 5 Key Lessons from the Future" is the latest release from the study, launched in May 2010 with the aim of identifying key trends that are rapidly changing the global retail landscape. The report covers all factors expected to impact the retail sector by 2020, across the full spectrum of economic, technological, demographic and cultural changes. The findings have been shaped by numerous client and retail industry meetings including expert interviews, data-mining and a top table Think Tank.

We draw your attention to remarks on pages 18-20 regarding weak secondary and tertiary retail locations which are, in effect, becoming obsolete. In our view, the rack rent shops fall within this category. They are a deteriorating asset and a significant drain on management time and resources.

Notwithstanding this, we appreciate that there will be political concern regarding the need to support "convenience" retail for the benefit of local communities in some locations. However; in the face of changing market dynamics we do not believe that there is sufficient justification for retaining these assets as part of an investment portfolio with the exception being those properties identified within the schedule as being part of a proposed redevelopment scheme (e.g. Beechley Drive and Maelfa).

Where market requirements and conditions permit however, consideration could be given to the development of 'investment quality' convenience retail facilities which are more appropriate to modern needs.

Recommendations

Sell these assets - with exceptions for regeneration purposes only.

Ground Rent Shops



Location/Property Type	<p>These properties are a mixture of suburban retail parades and individual shop units, some of which are mixed use with residential accommodation above.</p> <p>Within this category are a number of city centre properties.</p>
Tenant Profile	<p>The tenants are predominantly independent traders but there are also a number of good quality national multiples including Lloyds Pharmacy, Greggs, William Hill and BHS.</p>
Number of Properties	51
Rental Income	<p>Gross = £52,326 per annum Net = £33,154 per annum</p>
Outstanding Lease Events	<p>10 rent reviews 1 lease expiry</p>
Other Management Issues	None.
Market Context	<p>Ground rents are, generally, highly sought after investments. Investors consider ground leases to provide very secure income with the prospect of a significant reversion on expiry, with values enhanced where there are regular ground rent reviews.</p> <p>Very marketable interests in their current form and would achieve strong capital values, albeit there is a range of prime to tertiary properties which influences value.</p> <p>The longer these assets are retained the higher the capital value, however long leasehold ownership dis-incentivise tenants for investing in their property as their unexpired lease term erodes.</p> <p>Recommended methods of sale would be private treaty or auction and the properties would be suited for a portfolio sale in whole or part. These are however long term interests and a considered, strategic approach can be taken to any sales programme.</p> <p>Lease restructuring to provide revised (e.g. widened user provisions) or longer lease terms in return for a rebased ground rent or a premium can also be considered.</p> <p>If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but this is likely to impact on value.</p>

Conclusions

With the exception of one property, all are let on long term leases.

They require very little in terms of management resources or capital expenditure and therefore represent a good passive investment.

Recommendations

Retain – consider individual disposals on a case by case basis.

Commercial Properties



Location/Property Type	These properties are predominantly located in the city centre and comprise office, retail, mixed use premises and car parking.
Tenant Profile	The tenants are generally of high quality including strong retail covenants such as Marks & Spencer, Boots, Tesco and Toys R Us together with major investor/developers including Land Securities and Capital and Regional.
Number of Properties	18
Rental Income	Gross = £1,368,620 per annum Net = £1,363,101 per annum
Outstanding Lease Events	3 rent reviews
Other Management Issues	Other than lease events management input is minimal.
Market Context	<p>Core strategic assets predominately in the city centre and include offices, retail, mixed use premises and car parking.</p> <p>Generally prime to secondary assets, with secure income, which are readily saleable and would create strong investor interest.</p> <p>There is minimal management or irrecoverable costs. These assets are a strategic hold unless there are special circumstances, or a significant capital receipt is required.</p> <p>Recommended methods of sale would be individual private treaty or a portfolio sale in whole or part.</p> <p>If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but this is likely to impact on value.</p>
Conclusions	These properties represent the strongest assets in the portfolio both from an income perspective and in terms of their strategic location.
Recommendations	These properties should be retained as a strategic investment.

Pubs and Clubs



Location/Property Type The majority of these properties are in suburban locations or on arterial roads and vary widely in age and type of building.
 Three properties are located in the city centre.

Tenant Profile Most pubs are let to established national pub operators such as S.A. Brain, Greene King, Eldridge Pope and Punch Taverns, all of whom are good quality tenants with a strong covenant.
 The remainder are mainly let to local sports clubs and private members clubs.

Number of Properties 25

Rental Income Gross = £370,934 per annum
 Net = £362,510 per annum

Outstanding Lease Events 7 rent reviews
 2 lease expiries

Other Management Issues Other than lease events management input is minimal.

Market Context A mixture of ground leases and occupational leases.
 Good secondary to tertiary units let to a mixture of national and local operators.
 Some management obligations but relatively low irrecoverable costs and these assets are a good, strategic hold unless there are special circumstances, or the Council requires a capital receipt.
 Recommended methods of sale would be individual private treaty, auction or a portfolio sale in whole or part.
 There are a number of active occupational requirements in leisure sector at it may be possible to improve the strength of tenant line-up.
 Given the location and age of some of these assets they could be suitable for redevelopment either for the existing or alternative, higher value uses and this would require careful consideration.
 If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but this is likely to impact on value.

Conclusions Only three of these properties are strategically important in terms of location being city centre premises however, as a portfolio, they

represent a strong investment proposition requiring minimal management input.

Recommendations

Retain – selective sales where a strong business case can be established and/or where development opportunities arise.

Hotels



Location/Property Type	All but two of these properties are strategically important in terms of location being city centre premises. The remaining two are in suburban locations.
Tenant Profile	All tenants are recognised national or international brands such as Holiday Inn, Marriott or Ibis.
Number of Properties	6
Rental Income	Gross = £273,774 per annum Net = £271,450 per annum
Outstanding Lease Events	1 rent review
Other Management Issues	These are all held on long leasehold interests and, other than lease events, management input is minimal.
Market Context	<p>Good quality prime/secondary hotel ground rent investments that would be highly sort after.</p> <p>These properties offer secure income with the prospect of a significant reversion on expiry, with values enhanced where there are regular ground rent reviews.</p> <p>Marketable interests in their current form and would achieve strong capital values.</p> <p>The longer these assets are retained the higher the capital value. However long leasehold ownership potentially dis-incentivises tenants from investing in their property as the unexpired term erodes.</p> <p>Recommended methods of sale would be private treaty or auction and the properties would be suited for a portfolio sale in whole or part. These are however long term interests and a considered strategic approach can be taken to any sales programme.</p> <p>Given the age of the buildings and unexpired lease terms these are prime sites for redevelopment either for existing or alternative uses.</p> <p>Individual sales to tenants could be explored and lease restructuring to provide revised (e.g. widened user provisions) or longer lease terms in return for a revised ground rent or a premium can also be considered.</p> <p>If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but</p>

this is likely to impact on value.

Conclusions

We view these properties in the same category as the 'commercial properties' and for the same reasons we regard them as a good investment proposition.

Recommendations

Retain.

Industrial Ground Leases



Location/Property Type	The industrial ground leases are not strategically important in terms of location and mainly comprise multi-unit clusters in the Hadfield Road area although there are also some isolated sites.
Tenant Profile	There is a mix of local and national covenants as tenants. There are however a significant number of national companies including Jewson, Evans Halshaw, Hyder, Speedy Hire, Robert Price, ATS Euromaster, Booker Cash & Carry and Railtrack.
Number of Properties	96
Rental Income	Gross = £966,699 per annum Net = £937,070 per annum
Outstanding Lease Events	24 rent reviews 2 lease expiries
Other Management Issues	These properties require a relatively low management input however; many of them are on a 5 yearly review pattern so an efficient letting strategy with timely management of lease events is essential to maintain the quality of the income stream.
Market Context	<p>Ground rents are, generally, highly sort after investments. They provide secure income with the prospect of a significant reversion on expiry, with values enhanced where there are regular ground rent reviews.</p> <p>Very marketable interests in their current form and would achieve strong capital values, albeit there is a range of prime to tertiary properties which influences value.</p> <p>The longer these assets are retained the higher the capital value, however long leasehold ownership does potentially dis-incentivise tenants for investing in their property as their unexpired lease term erodes.</p> <p>Recommended methods of sale would be private treaty or auction and the properties would be suited for a portfolio sale in whole or part. These are however long term interests and a considered strategic approach can be taken to any sales programme.</p> <p>There is less rationale for industrial ground rents to be aggregated together for future strategic goals and therefore individual sales could be considered.</p> <p>Consider lease restructuring to provide revised (e.g. widened user</p>

provisions) or longer lease terms in return for a rebased ground rent or a premium can also be considered.

If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but this is likely to impact on value.

Conclusions

These ground leases represent a strong investment portfolio however consideration should be given to actions which would reduce the level of management input required.

This can be achieved by offering longer leases either in exchange for a premium payment or with fixed rental increases to RPI or CPI indexation, or by widening the review periods in exchange for a higher rent or premium.

Recommendations

Retain – selective sales where a strong business case can be established and/or where development opportunities arise.

Workshops



Location/Property Type

The majority of these estates comprise purpose built estates consistent with this type of use and are of reasonable quality. Douglas Buildings, Royal Stuart and Ely Brewery Workshops are however former warehouse and industrial buildings which have been subdivided to create work shop space.

Douglas Buildings and Royal Stuart Workshops have been provisionally identified as strategically important sites as part of an ongoing master planning study for Cardiff Bay.

The Willowbrook estate, St Mellons offers modern technology workspace / office premises and, in our view, represents the best of the workshop portfolio.

Tenant Profile

These properties are predominantly let to local and regional businesses and start-up businesses.

Number of Properties

9 estates comprising 143 units

Rental Income

Gross = £585,492 per annum
 Net = £395,796 per annum

Annual Expenditure

£174,719

Maintenance Backlog

£351,100

Outstanding Lease Events

15 lease expiries

Other Management Issues

The management of the workshop estate is somewhat convoluted as a result of the division of responsibility between Estates and Economic Development. We appreciate that this structure has evolved to accommodate internal budgetary requirements however, from a management perspective it is unsatisfactory.

Good estate management practice requires transparency in regard to property budgets where the relationship between income and costs can be fully considered.

The arrangement that currently exists provides Economic Development with all the benefits in terms of the net income while Estates are left with all the liabilities including a substantial maintenance burden as the workshops are let on internal repairing terms.

Market Context

Generally good secondary/tertiary multi-let estates which provide smaller (- 5,000 sq ft), starter industrial/workshop units, predominantly let to smaller local businesses.

Saleable but management intensive and with a relatively high level of

irrecoverable costs. The gross income is £585,492 per annum against a net income of £395,796 per annum; however the value will be underpinned by vacant possession value.

A period of intensive asset management (3 months) is recommended prior to marketing to present the properties in their best light and to identify/understand any redevelopment potential.

To achieve best value it would be necessary to demonstrate that a higher level of net rent is achievable.

There are a number of active investor requirements for multi-let industrial investments. Recommended methods of sale would be private treaty or auction and the properties would be well suited for a portfolio sale in whole or part.

Whilst owner-occupier sales could be considered this would be management and time intensive and would lead to split ownerships on estates, creating future management issues and having a negative impact on investment value. We recommend that the minimum lot size is individual estates unless there are special circumstances.

Across South Wales, there is a track record of public sector industrial estates being sold with the WDA asset sales of the 1990's to the likes of Ashtenne, IO Group, TBI and Hodge Properties involving over fifteen million sq ft of floor space. In addition, local authorities have sold off all or part of their workshop estates including RCT Council to Valad and Caerphilly to Ashtenne.

There has been no significant impact upon job creation as the private sector purchasers have worked hard to maintain full occupancy. The key aspect in terms of job creation is the initial development of the scheme and, arguably, if the Council KPI was job creation then the most effective route forward would be to sell the existing workshops and recycle the money into new schemes.

The sales programmes above have however highlighted the risk of estate fragmentation in terms of a purchaser selling off individual units with a detrimental impact on estate management. This can be avoided by disposals on a ground lease basis which would also protect against redevelopment (e.g Gabalfa Workshops).

Conclusions

We note the Council offers workshop units as a facility for start-up and small business occupiers as part of the economic development remit. In our opinion, the subject units would still be available in the market if sold to the private sector and this is, therefore, not a justification for retaining the status quo.

Recommendations

Sell these assets – except Douglas Buildings & Royal Stuart Workshops pending Cardiff Bay review.

Community Assets



Location/Property Type	The properties that fall within this classification are diverse comprising such assets as community centres, scout halls, care homes and sporting facilities.
Tenant Profile	There are no tenant names identified for these properties within the schedule but their specified use indicates the nature of tenants which are in the main community groups or organisations that serve this purpose.
Number of Properties	54
Rental Income	Gross = £107,838 per annum Net = £91,861 per annum
Outstanding Lease Events	23 rent review 10 lease expiries
Other Management Issues	The large number of outstanding lease events clearly indicates that there are management issues in dealing with these properties. This is probably exacerbated by the sensitivities of dealing with non-commercial tenants for which we would expect there to be significant political interest.
Market Context	<p>Community related properties including scout huts, sports facilities and community centres.</p> <p>These are unlikely to have significant commercial value in their existing use, however if suitable for redevelopment, significant capital receipts could be achieved.</p> <p>We have not recommended that these assets are sold to investors or developers unless there are special circumstances. Please refer to our section on alternatives methods of ownership.</p> <p>Recommended method of sale would be auction or private treaty once the alternative use potential has been fully explored.</p> <p>If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but this is likely to impact on value.</p>
Conclusions	<p>These are clearly not investment quality assets from a commercial perspective and their inclusion within the investment portfolio is difficult to justify from this viewpoint. Nevertheless, the socio economic role that they play within the life of the city is not something that can easily be dismissed.</p> <p>We have considered very carefully whether divesting these assets would be a rational decision but it is difficult to see how they could</p>

be owned by anybody other than the public sector or possibly a third sector body or organisation.

The contribution to net rent is not insubstantial although the management of lease events is clearly an issue which may be attributable to the fact that they are “community assets” and therefore a low priority when it comes to the pursuit of rental increases?

The classification of a property as a community asset should not preclude the recovery of rent or pro-active management of lease events on market terms. If rents were ring-fenced for return to community benefit then it is entirely possible that the management of this element of the portfolio could be self-financing.

Consideration should be given to an alternative structure for holding and managing these particular assets which reflect their unique position, possibly through a community asset transfer, community trust or similar venture.

Recommendations

Retain due to community benefit. Consider alternative ownership model such as a community asset transfer.

Central Market



Location/Property Type	Central Market is a late Victorian building located in the city centre.
Tenant Profile	There are no tenant names identified for the individual stall holders however we assume that the nature of this property means that they will all be independent traders.
Number of Properties	1
Rental Income	Gross = £209,000 per annum Net = £161,960 per annum
Maintenance Backlog	£176,100
Outstanding Lease Events	There are no tenancy agreements.
Other Management Issues	<p>Indoor markets often represent a difficult challenge from a management perspective primarily due to the landlord/tenant relationship which is often fractious requiring a disproportionate amount of officer time.</p> <p>We understand that the Council has recently commissioned an independent study into the operation of the market that will examine the issues and serve as a “health check”.</p> <p>Of particular concern is the fact that there are no regular tenancy agreements, an uncomfortable position for the Council to be in as a landlord.</p>
Market Context	<p>Very management intensive and with a relatively high level of irrecoverable costs. The gross income is £209,000 per annum with a net income of £161,960 per annum.</p> <p>There are likely to be political sensitivities however, if declared surplus, we anticipate that there would be demand from specialist operators as a going concern.</p> <p>The recommended method of sale would be targeted private treaty. If sold, restrictions could be placed on the tenure in terms of freehold/ground lease or claw-back or profit share provisions. These measures would however impact on value.</p>
Conclusions	Central Market represents a unique asset in terms of the retail offer for the City however it requires significant investment and management issues are understood to be time consuming and a significant drain on resources.

The management of market premises is a specialist discipline and consideration should be given to outsourcing the running of the market to a private management company on terms which would encourage capital investment.

Steps should also be taken to regularise the position in respect of tenancy agreements and bring all stall holders into a modern tenancy structure, which is conducive with good management practice.

Recommendations

Retain – consider alternative management arrangement.

Other Properties



Location/Property Type

The properties within this part of the portfolio are those that don't fit comfortably within the generic categories set out above and include some of the more unusual assets such as advertising, electricity sub stations, gas governors and agricultural type properties.

Tenant Profile

There are no tenant names identified for the individual properties within the schedule.

Number of Properties

83

Rental Income

Gross = £230,621 per annum
Net = £203,896 per annum

Outstanding Lease Events

21 rent reviews
16 lease expiries

Other Management Issues

We understand that the Council is currently in discussion with a private sector company regarding the leasing of advertising space throughout the city. As such this warrants a specific sub category as it will undoubtedly form an important component of the strategic investment portfolio in the future.

Market Context

A mixture of miscellaneous property which does not fit the generic categories including advertising, electricity substations, gas governors, agricultural properties, car parking residential units and care homes. Some of these assets have limited commercial value.

A high level of irrecoverable costs. The gross income is £230,621 per annum with a net income of only £203,896 per annum.

Care Homes/Hostels – A mixture of occupational and ground leases. Would have commercial value to operators or investors.

Recommended method of sale would be auction or private treaty. A sector specialist may be required to advise on sales with vacant possession or subject to occupational leases.

Residential – Predominantly ground leases which could be sold readily as a portfolio or to individual tenants unless there is any rationale for a strategic hold.

Given the location and age of some of these assets they could be suitable for redevelopment either for the existing or alternative, higher value uses and this would require careful consideration.

If sold, restrictions could be placed on the tenure in terms of future use or redevelopment, with claw-back or profit share provisions, but

this is likely to impact on value.

Conclusions

As with community assets, many of these properties are such that they should stay within public sector ownership. However, some including a number of residential properties and garages, contribute little to the overall net rent serving no strategic purpose and may be considered for disposal on a case by case basis.

The utilities type assets including sub stations, way leaves and gas governors etc are a specialist property type and as such we would recommend that any outstanding or future rent reviews are outsourced to a consultant with the requisite experience to ensure that appropriate levels of rent are being paid.

Residential care homes are also a specialist property asset and again we would recommend that external advice is sought in respect of any outstanding lease events.

Recommendations

Retain – consider disposals on a case by case basis. Specialist advice to be sought in areas such as care homes and utilities.

4.3 Management Review

Properties under management

By its nature a local authority estate often contains a number of high quality income producing properties balanced against a number that are not prime investment quality. The latter may be held for economic regeneration purposes, community benefit or as a legacy of operational need such as gas governors, way leaves and electricity sub stations etc. These types of property often represent a significant burden in terms of management time and/or financial resources. This is a particular problem in view of the current constraints on local authority budgets and therefore part of the rationale for this review.

The investment portfolio within the ownership of Cardiff City Council is therefore typical of local authority estates, combining a range of property across the main commercial sectors together with other specialised uses.

The management of the investment portfolio is the responsibility of the valuation section of the Strategic Estates team. We understand that some management functions, primarily the letting of the workshop units, is dealt with by a different service area which falls under the remit of the Economic Development team. This division of responsibility only relates to lettings with day to day management being the responsibility of "Estates" once a tenancy has been agreed.

It is not unusual to find this type of arrangement in local authority structures where property has a regeneration purpose however; efficient property management is usually achieved through a single management team or structure and we would question the efficiency of this arrangement in relation to the workshop estate.

Structure of Property Management

We have been provided with details of the Strategic Estates team structure which currently comprises a Principal Valuer, two Senior Valuers, two Assistant Valuers, one part time Valuer, one Development Valuer and one Estate Management officer together with a number of support staff.

The team has recently lost two valuers as a result of a reduction in staff and budgetary constraints and this has inevitably put the team under pressure in terms of dealing with the estate, some elements of which are particularly demanding in terms of staff time. Consequently the majority of the Estates team work can be viewed as reactive rather than proactive which is not conducive to maximising the potential of the assets.

Lease Events

The existing team undertake the day to day management as well as professional work. We have noted from the data provided that a large number of lease events appear to be outstanding within the portfolio.

There are 65 outstanding lease expiries on the schedule with a total income in excess of £207,875 per annum. There are 123 outstanding rent reviews (which may also include properties with expiries) with a total income in excess of £1,195,742 per annum. We have commented above on the reasons for many of the outstanding events still being shown as 'live', such as political sensitivity or no prospect of rental uplift. In our experience, it is often pragmatic to leave certain events outstanding in lieu of future negotiations when there is little prospect of any meaningful settlement and the estates team will also be mindful of sensitivities surrounding certain property categories particularly where there is a community interest.

For clarity we have sought to break down the lease events from 2014 until 2019 on a 2 year basis:

- In 2014 and 2015 there are 23 rent reviews (total income £728,570 pa) and 18 lease expiries (total income £75,801 pa).
- In 2016 and 2017 there are 10 rent reviews (total income £214,126 pa) and 6 lease expiries (total income £43,310 pa).

- In 2018 and 2019 there are 16 rent reviews (total income £253,046 pa) and 14 lease expiries (total income £88,741 pa).
- There are therefore 49 rent reviews and 38 lease expiries being a total of 87 events (ignoring outstanding lease events before 2014).

The above lease events include the full spectrum of uses and lease types which are managed by the estates team. In addition there will be potential asset management opportunities.

Estates surveyors deal with general management and professional work which places different priorities on them. We expect that professional work may potentially be put to one side where resource is required on day to day management. If surveyors continue to operate on this basis then it is preferable to allow specialism of particular sectors/uses. This may work where there are clusters of similar property e.g. industrial ground rents or rack rent shops so that surveyors have ownership of their area and have comprehensive knowledge, enabling efficient resourcing internally.

There are particular properties/uses where leases may be better dealt with externally. Where specialist properties are dealt with internally there may not be the required expertise or available market data required to efficiently deal with the lease event or maximise the income. In addition a third party maybe more detached in terms of decision making.

We have not had access to the internal estates database but from our discussions with the estates team it would appear that the systems currently in use do not automatically flag up events as a forward action which would go some way to explaining the problem. However, we suspect that there are also probably insufficient staff resources available for dealing with rent reviews and lease renewals in house.

This is not unexpected as these matters can be extremely time consuming and often require a level of market intelligence on specialist sectors such as pubs, hotels or utilities that would not be readily available to the Estates team. Most private sector property managers would not deal with lease events themselves but would instruct specialist lease advisory consultants.

We know from our own experience that the Council sometimes do this but we recommend this as a standard to achieve the best terms, which maximises the value of the portfolio. Nevertheless, it does require an appropriate level of budget to pay for it and the management systems need to be in place in order to identify the events as they arise.

General Management

The Council retains responsibility for maintenance in respect of a significant number of properties within the investment portfolio however, on the basis of information provided it is clear that there is insufficient budget for this purpose. Other than essential or re-active maintenance there appears to be no ongoing asset enhancement. Consequently those elements of the estate where the Council retains responsibility for repairs will inevitably deteriorate affecting asset value, lettings and consequently income generation.

The procurement of facilities management services also appears to carry an inherent burden in the form of a 12% internal management fee, additional to the contractor's fees of 20%. We question what benefit the estates team derive from this arrangement as direct procurement of services under the control of a single management structure would seem to be a more transparent and efficient route.

Disposals

The marketing (advertising) of vacant property is an area of concern as we are told that there is no specific budget allocated for this particular purpose although disposal costs can be charged against a future receipt where the timing is certain. An appropriate marketing budget is an essential requirement of good agency practice and most landlords would normally outsource this type of work.

The inability to carry out a comprehensive marketing strategy with appropriate collateral or to offer financial inducements (other than rent free periods) will obviously impact on the ability to let properties in a timely fashion to the best possible tenants on the most advantageous terms. The consequence is a high level of voids with loss of potential income and an empty rates liability. We understand that the Council currently has an empty rates liability in the region of £75,000 per annum, which would more than offset a useable marketing budget.

Conclusion

The inevitable conclusion of these observations is that the estates team is under-resourced to deal with the investment portfolio effectively and the current arrangements for dealing with the letting of vacant property are not efficient.

We understand that the estates department is tasked with raising £3.5m per annum from the portfolio with derived income used to support the Council's revenue budget. The exception is income from the workshops which is retained by Economic Regeneration and receipts from disposals below £10,000 which are retained by Estates to support operational budgets.

Receipts arising from disposals are used to support the capital programme however, any consequential loss of income must be offset against the remainder of the portfolio as the income target remains the same despite the fact that capital receipts are not reinvested. We believe this situation to be unsustainable in the medium to long term. Without reinvestment of capital receipts, or other injection of investment capital, the portfolio is simply operating as a drawdown facility and will slowly deteriorate over time. To expect to maintain a fixed level of income on this basis into the future is totally unrealistic.

4.4 Gap Analysis

We have not been afforded an opportunity to carry out a detailed study of the availability of development sites and buildings in Cardiff, which would have necessitated a qualitative and quantitative survey of all available sites and buildings together with a workshop with the Planning Department. We are aware that the draft Local Development Plan (LDP) is now close to being adopted. Therefore, the following commentary seeks to provide an overview of gaps in supply.

a) Employment Sites

The key gap in Cardiff is a lack of available employment land which can be brought on-line within a relatively short timescale. There is little, or no, employment land available for business park, science park or general industrial use. The lack of a network of existing attractive strategic sites undermines the efforts of Cardiff to attract mobile projects, particularly in value added industries.

Outside the City Centre, the existing employment offer is dominated by Ocean Park and Wentloog, to the south east of the City Centre together with a number of motorway related business parks. Ocean Park (formerly East Moors) provided the growth location in the 1990s and early 2000s whilst Wentloog has seen significant development over the past 15 years. Whilst land remains available for development at Wentloog, there are issues of access and technical matters relating to flood plain.

There remains demand within Cardiff for a significant employment site or sites, combining business park and industrial estate, to be located on the western side of the City with proximity to both the M4 and The Vale of Glamorgan, (where many business owners live). The business case was made, a decade ago, for an 'international class' business park at

Junction 33 of the M4. The key attributes of such a business park were considered to be scale (minimum 100 acres), the highest quality communications (access to motorway and airport links), University links and a strong physical and environmental appeal.

In the Cardiff Capital City Region, there is also an identified opportunity to create a bespoke science park. This would need to have proximity to Universities and other leading educational institutions. We are aware that there is a cluster of science based businesses, including Reneuron, emerging at Pencoed and it may be that this location is seen as the best fit.

There is the opportunity for special category sites with a provision for specialist uses where the property requirements of that sector are unlikely to be met on other types of sites. We have seen a media cluster emerge at Roath Basin with the BBC Drama Village and the more recent Gloworks building. There is the opportunity to build upon this sector demand, working with the “creative industries” panel of Welsh Government.

There is also a clear opportunity for a bespoke distribution park to be located on the eastern side of the City, between Cardiff and Newport and with strong communication links. The growth in e-commerce has generated increased activity from parcel carriers and other internet businesses. There is the opportunity to capture new investment from parcel carriers, internet fulfilment centres, click and collect stores and even ‘dark stores’ (so called, supermarkets for internet pickers). Such a distribution park would need to be located away from residential areas to facilitate 24/7 working.

At the more functional end of the market, there is a need for further local industrial estates, typically suited to a smaller/local operation and located in a mixed environment within close proximity to existing built up areas. There is demand in Cardiff for new local industrial estates in all parts of the City although it is recognised that these are often not the most attractive land uses. Within the City Region, but outside Cardiff, there may be more appropriate locations for such industries. However, as areas around Dumballs Road, Penarth Road and Newport Road become still more attractive to alternative use redevelopment, so relocation sites are required for some of the lower order uses that would be displaced. During the period that Cardiff Bay Development Corporation operated, secondary estates were created in Tremorfa and, to an extent, the back land in Ocean Park. However, these estates are full and there remains additional demand.

b) Employment Buildings

The core employment location is the City Centre, which offers the most sustainable location in terms of re-use of brownfield land and use of public transport. The Central Cardiff Enterprise Zone has provided an additional focus upon this area and the key schemes of Central Square, Capital Quarter and Callaghan Square are now ripe for redevelopment and c.300,000 sq ft or new speculative development is proposed across these sites.

The availability of a balanced portfolio of new floor space (completed or under construction) will allow existing and emerging businesses to be attracted to Cardiff and, therefore, private sector developers should be encouraged to bring forward speculative schemes potentially through Property Development Grant, if appropriate.

The out of town office market is perhaps the employment market which suffered greatest during the downturn as there had been a significant wave of speculative office development aimed at owner occupiers acquiring through a SIPP Pension Fund. However, after seven years the market has recovered although developers lack confidence to move forward with new schemes and it is likely that this will be the case for some years to come. Land remains available at Cardiff Gate and St Mellons Business Park although there are few opportunities to the west of Cardiff.

In the industrial market, developer J R Smart constructed c.800,000 sq ft of industrial and business unit accommodation, typically in terraces of 15-30,000 sq ft which was then available for sub-division according to demand. This floorspace was constructed over a period of 10 years ending in 2008 and two thirds was sold and one third leased. This floor space is virtually all occupied and vacancy level on smaller units in Cardiff is low. However, rental and capital values have not yet reached their peak and we are therefore probably 2-4 years away from any major speculative development of this nature.

As the property market improves, new development is likely to take place for those uses where there is little alternative in terms of existing second hand buildings. Therefore, new development is likely to be dominated by extensions to existing buildings and unusual or quirky building requirements, such as cross dock distribution, high eaves height or waste to energy type projects – these occupiers are unlikely to find a cost effective solution in an existing industrial shell.

4.5 Ethical Agenda/Policy

We have been asked to provide comment regarding the issue of an ethical lettings policy for the property portfolio. This is a subject that has recently become an area of concern for many Councils as they seek to address the social problems associated with pay day loan companies, betting shops and the sale of alcohol etc. Such uses tend to disproportionately affect low income families struggling to cope with the effects of the economic recession.

Property management is tightly controlled in terms of legal practice and robust professional guidelines which ensure ethical procedures from a business perspective. We would argue therefore that this is a political issue seeking to address a perceived social problem from an ethical perspective through management policy.

The issue is slightly at odds with the brief for this review which emphasises the need to drive efficiency and maximise returns from the portfolio in the face of increased financial constraints.

The challenge is to balance profit with social responsibility, something that we used to associate with the practices of the co-operative society which sadly now suffers from a tarnished reputation in this regard. This type of business model represents an approach that would require a completely different ownership structure and is one that would not necessarily fit with the objective except perhaps in relation to the management of community type assets and we have provided separate comment on this elsewhere in the report. We are also unclear as to the legal implications regarding the requirement for local authorities to achieve “best value” and would recommend taking further advice on this.

From a technical point of view it is a relatively simple matter to control or resist perceived “immoral uses” via user restrictions in leases which is standard management practice. To go beyond this and proactively seek to block a defined group of business types as a matter of policy could be problematic. From a commercial perspective it doesn't make financial sense and we would have to question whether it would have any real impact. Unless the Council were in control of all the property in the City then potential occupiers can always choose to lease alternative premises. In our opinion, the planning system is usually the most effective control for this purpose.

Notwithstanding the above comments there will be areas of practice within the management of the investment portfolio where it may be possible to actively encourage an ethical approach either in terms of the use of property or in the procurement of skills and services which would not necessarily be at odds with the objective of maximising efficiency and returns.

Meanwhile uses such as pop up shops that are run by charitable organisations or on a not for profit basis are an example of good practice in this regard and are often used by commercial landlords as a means of mitigating costs in respect of vacant property. Likewise, contractual covenants that ensure the delivery of training or apprenticeship places with building contractors, consultants and other service providers is a well-established concept within the public and third sectors which would not be viewed as onerous by the private sector.

At a more strategic level the Council is in a position to set the bar high when it comes to the quality, sustainability and energy efficiency of it's buildings which would act as a benchmark for future development. This will often come at an additional cost but as matter of policy it is something that the Council can take a view on.

Finally, we have commented elsewhere in this report regarding the strategy for those properties which fall within the category of “community assets” which we would advocate as being prime candidates for transfer to a community interest company. It is from within this part of the existing portfolio where perhaps there is the greatest scope for the delivery of a social or ethical agenda at a grass roots level which the Council can facilitate.

5 Future Strategy

5.1 Disposals

Regional investment markets in the UK, including Cardiff, have seen a sustained period of improvement over the past 12 to 18 months, with an increased appetite from investors, hardening yields and rising capital values. A lack of stock and strong competition for assets in London and the South East has led to investors looking to the regions in search of value and Cardiff has certainly felt the benefit.

Cardiff, as the capital city and the centre of government and commerce in Wales is leading the Welsh market. Prime and good secondary property in Cardiff across all sectors is on the shopping list for a broad buyer spectrum including institutions, property companies, trusts, private pension funds, syndicated investors, private investors and high net worth individuals. Some notable key market trends are:-

- **Yield gap** - There has been a substantial risk premium for secondary stock and the differential between prime and secondary has been at historically high levels. This margin reduced in 2014 with marked yield compression for good secondary assets. For properties with less secure or predictable rental income, the prospect of rising interest rates and uncertainty surrounding a general election has pushed yields higher, leading to a widening gap between different qualities of secondary stock.
- **Portfolios** – packaging assets into portfolios allows property investors to place large amounts of equity in a single transaction and to acquire a diverse range of assets thus spreading risk. This is currently a popular method of disposal and portfolios can command a premium value. Perversely, portfolios perceived as in “distress” often generate greater interest and can command a higher premium.
- **Lot size** – institutional purchasers and a number of active overseas investors are primarily seeking lots of £20 million plus. They have large volumes of capital to invest and only limited resources to make acquisitions, so their preference is to place a large volume of capital in fewer transactions. There is a broad range of sub-institutional investors however, these parties are often less aggressive. A challenging lot size is £3 - £5 million capital value, which tends to be too large for individuals and private investors whilst too small for properties companies and smaller institutional buyers.
- **Increasing availability of debt** – a range of the banks and other lenders have re-entered the market and therefore so have debt funded buyers. However, loan to value ratios remain at 50 - 60% and therefore bidders remain aggressive.
- **Overseas investors** – there is a continued emergence of well-funded overseas investors which have acquired a number of key assets in Cardiff over the past 12 months including Crickhowell House (occupied by Welsh Government) and Willcox House (occupied by Cardiff Council).
- **Occupational market** - there is still uncertainty around the health of the occupational markets and whilst this is improving for any recovery to be sustainable, investors will need to have confidence that there is tenant demand.
- **Irrecoverable costs** – Investors pay close attention to both income and costs. Purchasers prefer tenant’s full repairing and insuring leases and any irrecoverable expenditure in terms of building maintenance and repairs, service charge, insurance, letting voids, empty rates and other liabilities would be deducted from an investment’s gross income stream to provide a net rental income. Investors will be considering their “triple net” yield and the true net income is usually what an investor’s bid is based upon, unless the property value is otherwise underpinned by its vacant possession value.
- **Alternative investment sectors** – have continued to grow in popularity with a range of investors increasing their exposure to areas such as student accommodation, healthcare, renewables and hotels. The main driver is increasing competition for the limited pool of prime conventional assets with other attractions including longer-term, index-linked income streams and more diversified property portfolios.

- **Secure, long term income** – in terms of property investment fundamentals there remains a strong appetite amongst investors for long term income, with tangible prospects for rental growth, which is well secured to good covenants including government bodies such as local authorities. Whilst this might be more pertinent to the Council's operational portfolio, sale and leasebacks possibly on an "income strip" basis, would be very attractive to a variety of institutional and overseas investors and would present the Council with an opportunity to raise significant capital receipts.

5.2 Development Opportunities

The Council's non-operational portfolio is diverse and involves a broad range of properties across a wide spectrum of sectors. As such, it presents significant redevelopment opportunities. To ensure the Council achieves best value across their portfolio it is imperative that development opportunities are fully understood and explored, particularly as part of the due diligence for any proposed sale. This would involve brief discussions with the planning department and the potential for competitive marketing where an opportunity is identified.

Given the size/diversity of the portfolio, the Council's involvement in a number of large scale, high profile regeneration projects (e.g. Central Square, Cardiff Arena/Convention Centre etc.) and the management demands of their operational portfolio and rack rented assets (shops, workshops and central market), there is a risk that opportunities in the middle ground, across the remaining portfolio are not fully explored or are missed.

A clear focus is required to promote schemes and maximise opportunities. Where sites or buildings have a clear development angle then a ground lease disposal may be most appropriate or joint overage or sale with overage/profit share.

5.3 Alternative Models of Ownership - Public/Private Funding Solutions

There is a weight of private sector funding and expertise available for investment in public sector projects and joint ventures and for financing existing or proposed public sector infrastructure. Investors and developers are familiar with local authorities and how they operate and are financed and are willing to make investments and accept risk transfer in a number of ways, depending on the asset class and the nature of the investment required.

From early Private Finance Initiative (PFI) projects (particularly in local authority education and healthcare), the range of market opportunities has evolved and expanded to include joint venture participation for developments and investments and the availability of institutional financing for specific projects, generally supported by a local authority or other government covenant.

These instruments can work either discretely, as part of a wider series of initiatives or alongside the Council using its own prudential borrowing powers.

We provide below an outline of some of the structures that are working for a number of local authorities – to accelerate the delivery of identified objectives, streamline management and/or offer access to alternative sources of finance.

5.4 For development opportunities and investment portfolios

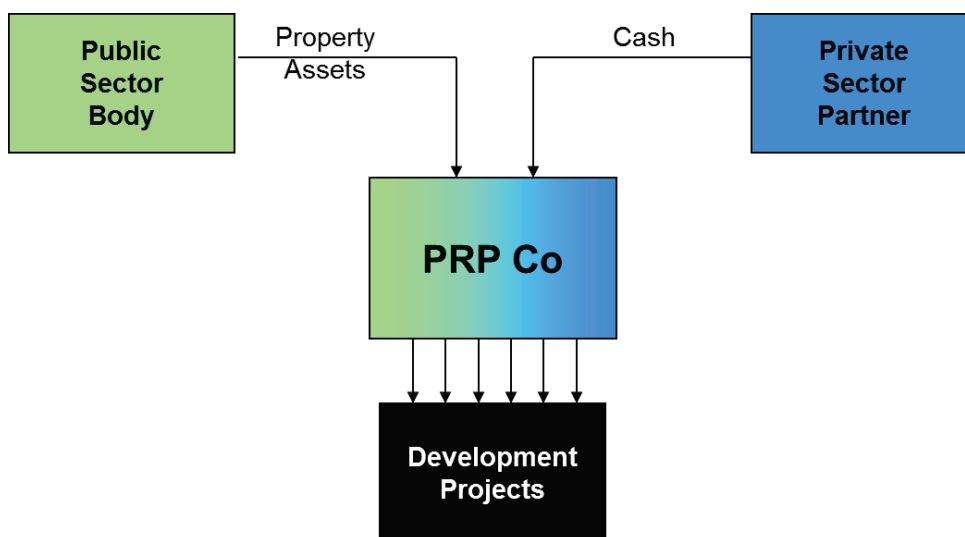
Joint Ventures

There are a number of examples, principally from local authorities or the recently dissolved Regional Development Agencies (RDAs), where public sector owned sites and/or income producing assets – offering development opportunities and/or providing an investment income stream from third party occupiers – have been transferred to joint venture vehicles to transfer and optimise management as well as accelerate the delivery of development, regeneration and other wider local authority objectives.

Principally structured as Local Asset Backed Vehicles (LABVs), the scope can be adapted to the circumstances of each opportunity but in essence:

- the Council would identify an opportunity or series of opportunities that it wishes to see delivered and identify sites (generally but not exclusively in its own ownership) that will enable the delivery of objectives;
- generally a business case process would be undertaken to test viability and engender stakeholder support;
- the opportunity would then be taken to market (generally but not exclusively through an OJEU-led procurement process) with a view to selecting a private sector delivery partner;
- private sector bidders would propose appropriate development solutions and offer to take development, funding, occupancy and other risks against a financial proposal;
- the basis of the financial proposal is the valuation of the assets the Council is making available to the LABV and this, on establishing the LABV, is reflected as the Council's equity shareholding in the partnership (and is cash-matched by the selected private sector partner, alternatively or in part, the Council may extract a capital receipt on establishment);
- LABVs are generally structured as 50:50 deadlocked joint venture vehicles, with the public and private sector partners having equal interests and management & decision making powers; the private sector partner will usually also be responsible for the delivery of management services and the performance of the joint venture.

The basic principles of a LABV are illustrated in the following diagram.



Examples in the local authority environment of development-led LABVs include the following.

Aylesbury Vale District Council (AVDC) – Aylesbury Vale Estates

AVDC established a LABV with Akeman Investment to manage a portfolio of council owned properties and undertake a programme of new developments. The council's commercial portfolio (comprising 292 units generating an annual income of £3.6 million) was transferred into the LABV and included a number of development sites.

The 50:50 joint venture set out to manage, improve and develop the commercial and tenanted properties over an initial vehicle life of twenty years. AVDC's assets were cash-matched by the joint venture partner on establishing the joint venture and the council shares in the rental and any capital returns to the joint venture over its lifespan.

Bournemouth Borough Council (BBC) – Bournemouth Development Company

BBC committed thirteen town centre development sites, all existing car parks, to its LABV, a 50:50 joint venture formed with private sector partner Morgan Sindall Investments Ltd. The joint venture is delivering facilities in support of the council's wider Town Centre Master Vision.

The LABV, established initially for twenty years, has an identified development programme valued at around £400 million. Early projects include the provision of a seven storey, 382 spaces, car park (to create capacity as other car parks are brought forward for development) and a £23 million student accommodation development for Arts University Bournemouth. These projects are part of a wider programme that will deliver a range of residential and mixed use developments, including leisure attractions and shops and offices.

Debt financing options

Local authorities have access to debt financing on attractive terms from the Public Works Loan Board (PWLB) and alternative funding sources rarely exhibit best value in comparison.

There are, however, credible alternatives, where a local authority is prepared to underwrite or guarantee income streams over the long term, from institutional investors offering long term financing products related to bond quality investments.

5.5 For the core operational portfolio

Although beyond the scope of the brief and potentially beyond the contemplation of the Council at this stage, it is appropriate to comment briefly on the potential for raising capital from the core portfolio.

There is a defined market interest, principally from a number of UK pension fund and other sub-institutional investors (UK and overseas based) for investment in government grade income streams. Depending on the exact scope and risk transfer, these can be characterised as public private joint ventures or annuity income arrangements.

The latter might be of interest to the Council if seeking to secure capital at economic rates to undertake capital projects or extract latent value from the Council's existing core occupied portfolio.

In essence, the Council could seek a financing partner to whom it could transfer a 25 year (or longer) leasehold interest in a key asset or assets with the Council as the leasing counterparty in return for an up-front capital receipt. The Council would then meet a "rental" payment stream (generally indexed to RPI) over the 25 year period with the assets returning to the Council at the end of the term.

We anticipate that a transaction of this nature on a good quality asset or portfolio and with the Council's covenant offered would attract an initial return in the range of 4-4.5%. We will be pleased to discuss options for this type of product further if it might be of interest to the Council, this opportunity would also be appropriate for a new build facility where the occupancy or rent roll is guaranteed by the Council.

5.6 Operational Review

With regard to the management of the operational estate, the Council might want to consider the option of outsourcing their estates management function or maybe set up a joint venture company as a means of driving efficiency savings. Any recommendation in this regard would require detailed investigation beyond the scope of this report and warrants a separate study to identify whether this approach would deliver tangible benefits.

As a brief example, Newport City Council recently agreed such a JV company with the Norse Group, who specialise in local authority partnerships of this nature. Newport were faced with similar problems and financial constraints as Cardiff and decided to take the JV route as a means of driving efficiency thereby delivering savings without compromising their existing staff.

Under this arrangement, around 200 council staff transferred to a joint venture company on the same terms and conditions as they had with the Council, which includes pensions. The company was awarded a 10 year contract to manage the council's property assets which includes cleaning and facilities management, building maintenance, management of the Indoor Market, and the provision of strategic property services.

6 Conclusions and Recommendations

This high level review of Cardiff City Council's non-operational (investment) portfolio has highlighted the impressive range and breadth of the property interests held by the Council. The portfolio ranges from the highest quality assets, such as the freehold of St David's shopping centre, to everyday properties, such as workshop units and lock-up shops, through to community assets including rugby clubs and scout halls.

The portfolio has evolved over many years and there are a wide range of reasons why properties have come to be owned by the Council. We recognise that public assets can make a central contribution to the delivery of public services in Cardiff and many properties in the portfolio are integral to the future growth and well being of the capital city.

Cardiff is the focal point of growth in the Cardiff Capital City Region and many of the emerging policies promoted by Welsh Government build upon this central role. These policies include the recommendations of the Sir Paul Williams review in terms of local government reorganisation, city regions growth policies, the establishment of a Strategic Development Plan for the city region and major infrastructure investment proposals in terms of rail electrification and 'The Metro'.

All of these emerging proposals suggest that Cardiff City Council will need to take a proactive role in encouraging investment and development, particularly in the city centre, and will need to allocate sufficient resources to these high level projects.

At the same time, the current era of public sector austerity has highlighted the political and economic imperative to manage assets on commercial terms and to reconsider the priorities of the Council. This streamlining of the portfolio affords the opportunity to provide a more strategic focus to the portfolio for the future whilst also allowing properties to be sold off to raise capital receipts and reduce management issues, including irrecoverable management costs.

Our recommendations fall under the following core headings:

6.1 Renewal of the Council's Investment Asset Strategy

The investment property asset strategy needs to be aligned with the organisational objectives of the Council as set out in the Council's asset management plan. This would set out the vision for the asset base, how each classification of assets would be treated and the overall financial framework in which this will be implemented.

Our recommendation would be set out a strategy for improving the quality and quantity of the investment portfolio. This would be through a focus upon prime assets and the delivery of new development and investment stock. Whilst it is important to encourage the private sector to invest in the city, there will be opportunities where the Council can leverage its position through its existing landholding, the provision of infrastructure and enabling planning to create value.

The new investment mandate could include the acquisition of additional properties specifically for the purpose of income generation, marriage value with existing holdings and to control both existing and new development. The investment mandate would also be informed by a detailed 'gap analysis' of employment properties and sites in Cardiff.

Recommendations:

1. The corporate property strategy to be submitted, setting out the vision for the asset base and how each classification of assets would be treated.
2. We propose streamlining the existing investment portfolio and a future growth agenda focused upon improving the quality and quantity of the portfolio.
3. We recommend that there is a future focus upon acquiring prime assets which fit the growth agenda of

Cardiff, a “Core City” at the heart of the Cardiff Capital City Region.

4. The Council to leverage its position through land ownership, marriage value and planning to create value. However, efforts must be made to ensure that private sector development and investment is encouraged and does not perceive the Council as a “blocker”.
5. The investment mandate to be informed by a detailed gap analysis.

6.2 Categorisation of the Existing Assets

In terms of the various classifications of properties examined in this report, we propose the following hierarchy of strategic value:

Generic Classification	No.	Strategic Value	Sale-ability	Recommendation
Rack rent shops	84	Low	Medium	Sell these assets - with exceptions for regeneration purposes only.
Ground rent shops	51	Medium	High	Retain – consider individual disposals on a case by case basis.
Commercial	18	High	High	Retain.
Pubs & Clubs	25	Medium/High	High	Retain – selective sales where a strong business case can be established and/or where development opportunities arise.
Hotels	6	High	High	Retain.
Industrial Ground Leases	96	Medium	High	Retain – selective sales where a strong business case can be established and/or where development opportunities arise.
Workshops (9 estates)	143	Low/Medium	Medium	Sell these assets – except Douglas Buildings & Royal Stuart Workshops pending Cardiff Bay review.
Community Assets	54	Low	Low	Retain due to community benefit. Consider alternative ownership model.
Central Market	1	High	Low	Retain – consider alternative management arrangement.
Other Properties	83	Mixed	Mixed	Retain – consider disposals on a case by case basis. Specialist advice to be sought in specialist areas such as care homes and utilities.
Total	561			

Recommendations:

6. We recommend the disposal of the following categories of properties:
 - Rack Rent Shops (84 No)
 - Workshop Estates (9 estates)

Note: the sale of workshop schemes at Douglas Buildings and Royal Stuart Workshops to be held in abeyance pending the outcome of the Cardiff Bay Master plan.
7. We recommend the selective sale of property assets from the following categories, but only where there is a strong business case:
 - Ground Rent Shops
 - Pubs and Clubs
 - Industrial Ground Leases
 - Other Properties
8. We recommend that alternative modals of ownership or management are explored for the following categories:
 - Community Assets
 - Central Market
9. All other properties, including the majority of those assets referred to in recommendation 7, to form the nucleus of the re-engineered investment portfolio.

6.3 Agreement of Implementation Plan

Once a disposal register has been agreed then there should be a concerted effort to prepare the identified assets for sale through a short sharp active asset management programme. This would include ensuring clean legal title, resolution of outstanding lease events, consideration of any planning gain opportunities and resolving maintenance backlog. There will be other matters to be considered including technical reports, production of Energy Performance Certificates and clearance of rent arrears and other management issues.

The method of sale will vary from classification to classification, and is explored in more detail in section 5.1 above. However, at an early stage there will need to a decision as to whether to progress tenant sales or not.

Our general advice would be to avoid tenant sales on occupational leasehold premises as this will be protracted and may become somewhat political. However, where there is a ground lease or isolated property then a sale to the tenant may extract a price higher than an open market disposal.

In other instances of public sector disposals of individual properties, we have seen a clear benefit in a sale by auction as this is classified as “best value”, avoids third party intervention and imposes a strict timetable.

There are however estates of workshops and parades of suburban shops which we recommend be sold either on a portfolio or ‘estate by estate’ basis. In considering the method of disposal, the Council should have regard to asset protection in terms of future management and also potential future planning gain. The introduction of overage provisions or long ground leases instead of freehold disposal would offer the Council an element of protection but would also impact upon pricing. Therefore, these measures would need to be considered on a case by case basis.

There is the opportunity to consider a joint venture or asset backed vehicles (LABV) with surplus assets being used to leverage match funding from private sector investment. However, our view is that this is more appropriate where there is

a major regeneration project or area based project rather than a method of disposal. This type of vehicle is a development vehicle rather than investment or asset realisation project.

Recommendations:

10. We recommend agreement upon a disposal register and target timescale for disposal.
11. We recommend a three month window be agreed for a short sharp asset management programme to include:
 - Clean legal title
 - Resolution of outstanding lease events
 - Planning/development opportunities
 - Collation of technical reports
 - Production of Energy Performance Certificates
 - Clearance of rental arrears
 - Minor repairs and dilapidations
 - Other management issues
12. A decision will need to be made on whether or not to offer freeholds to tenants. Our recommendation would be to avoid such tenant sales except where there is an isolated property/ground lease.
13. We recommend primary consideration be given to the following methods of sale:
 - Auction
 - Informal tender
 - Private treaty
14. In terms of lot size, our recommendation is to consider larger portfolios or estate sales rather than individual property sales. This is likely to be by way of informal tender or private treaty with auction offering a solution for standalone properties.
15. The Council needs to consider whether to pursue a joint venture or asset backed vehicle. Our view is that this is likely to prove more attractive for medium to long term development or regeneration objectives rather than for short term asset realisation but we can explore this option in more detail subject to the outcome of our other recommendations.

6.4 Operational Management of the Estate

In the formulation of this report, we have been provided with an insight into the operational issues surrounding the management of the investment estate. We recognise the severe budgetary constraints that the Estates Department work under and the resourcing issues arising from staff shortages. We appreciate that there will be significant changes arising from the implementation of the new Corporate Property Strategy and this will undoubtedly bring substantial benefits going forward.

Our recommendations above seek to streamline the existing portfolio of properties to both raise capital and reduce the management burden and irrecoverable costs. This will create efficiency benefits for the team in the medium term however is likely to increase yet further the workload in the short term and time required to undertake the preparation for sale of identified disposal assets. This could, in part, be addressed through varying the terms of engagement for a selling agent to require that party to undertake the preparation for sale and active asset management in return for a higher than normal disposal fee payable upon completion and out of proceeds.

While not within the scope of this report, one area of further study for future consideration is to investigate a new model of management similar to that recently introduced by Newport City Council whereby a public-private partnership arrangement was agreed with the Norse Group (Norfolk Property Services). In this scenario, responsibility for the Estates team is transferred to the private sector company alongside a long term contract from the Council to supply management and other services.

Whether there would be any significant advantage to this type of arrangement for Cardiff Council is unknown as their property strategy is significantly different with different requirements. Given that the Newport model is in it's infancy we would recommend that this is something that should be evaluated once the model has been in place there for at least four or five years to determine whether the experience has delivered the expected outcomes and whether there would be any merit in Cardiff adopting a similar approach.

Recommendations:

16. The proposed streamlining of the portfolio set out above should bring significant operational benefits to the Estates Department and in the medium term, free up their time to offer more proactive management of the core portfolio.
17. Our recommendation would be to create transparency of the estate management costs and benefits by combining responsibility for lettings and day to day management of investment properties in one department.
18. There is an opportunity in the medium to long term to investigate a new model of estate management with a public/private model for outsourcing.

We thank the Council for the opportunity to provide advice in connection with this matter and we would be pleased to meet with you to address any queries you might have regarding our conclusions and recommendations.

Yours faithfully

Yours faithfully

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THE CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AGENDA ITEM 5

POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE

6 January 2015

WALES AUDIT OFFICE CORPORATE ASSESSMENT AND ORGANISATIONAL DEVELOPMENT UPDATE

Reason for the Report

1. The Wales Audit Office (WAO) Corporate Assessment of the City of Cardiff Council, which reported in September 2014, made a formal Proposal of Improvement that the Council should ensure that its Organisational Development Plan, which was established in May 2014, should resolve the range of issues identified by the Assessment.
2. The Committee has agreed to concentrate a significant portion of its 2014/15 work programme to scrutinising the various Organisational Development work-streams as well as the overall delivery of the Organisational Development Programme, prior to the return of the Wales Audit Office in summer 2015 to conduct a follow up inspection. The Committee has also agreed to scrutinise other issues raised by the Corporate Assessment, such as the delivery of the 2014/15 budget proposals, the preparations for the 2015/16 budget, and the Council's management of its land and property.
3. This item gives the Committee an opportunity to assure itself of the Council's progress in responding to the findings of the Auditor General via the Organisational Development Programme, before the WAO returns to conduct a further inspection of progress in July 2015.

Background

4. The Wales Audit Office undertook its Corporate Assessment of the Council in the spring of 2014, via fieldwork and desk-based reviews. The Assessment sought to

answer the question: 'Is the Council capable of delivering its priorities and improved outcomes for citizens?' The conclusions of the Assessment were that:

- Fragmented leadership and management have meant that weak performance in key service areas has not improved;
- The Council has identified what it wants to achieve for its citizens but has lacked an effective means of delivery;
- Some processes intended to ensure good governance have not been implemented, leading to inefficient decision-making processes and a lack of transparency;
- Whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past;
- Although the Council ensures a balanced budget, prospects for achieving proposed savings in 2014-15 are uncertain and the anticipated level of future funding means current methods of service delivery are unsustainable;
- Corporate human resource arrangements are founded on positive practice but are not being implemented consistently;
- The Council is improving its use of information technology and its information management arrangements;
- The Council is not managing its land and property assets well;
- The Council engages well in its collaboration with others and is able to demonstrate improved outcomes for citizens.

5. The Organisational Change Cabinet report presented for approval in May 2014 set out that in order to support the level of change required in the Council, 'a more consistent, engaged and evidence based approach to how the Council assesses, plans and reviews' the delivery of its services should be taken.¹

6. In order to meet the challenges facing the Council and to progress the Cooperative Council agenda, the Cabinet report established a new organisational model for the Council based on cooperative principles, to be delivered via the creation of a three-

¹ Establishing a Programme of Organisational Change for the City of Cardiff Council Cabinet report, 15 May 2014, available on the Council's website at: [https://formerly.cardiff.gov.uk/committeebrowser.asp?\\$state=meeting&\\$committee=12950&\\$meetingdate=15/05/14](https://formerly.cardiff.gov.uk/committeebrowser.asp?$state=meeting&$committee=12950&$meetingdate=15/05/14)

year Organisational Development Programme ('OD Programme'). The Cabinet report asked for approval to allocate staff resources to the OD Programme from within the 2014/15 budget framework to give priority to these proposals. A budget of £1.039 million is in place for this financial year, as well as an earmarked reserve of £700,000 which was established as part of the 2014/15 budget for 'one-off funding to enable technical, professional and specialist support where required'. Given the level of investment in the programme, Members of this Committee requested further details of the resource allocation when it considered the draft Organisational Change Report in May 2014.

7. The OD programme as established in May 2014 comprised five separate programmes, each including several smaller projects, as follows:
 - Strategic Commissioning
 - Customers and Community Focus
 - Assets/Infrastructure
 - Governance and Member Participation
 - Engagement and Improvement.

8. The Programme structure created to deliver the Programme of Organisational Change in May 2014 is set out at **Appendix A**. The proposed measures of success, objectives and milestones for each of these Programmes as set out in May 2014 are attached at **Appendix B**. A letter sent to the Council Leader following this Committee's scrutiny of the draft Cabinet report on the Programme of Organisational Change on 2 May 2014 is attached at **Appendix C**. The response is at **Appendix D**.

Issues

9. In a presentation given to the Audit Committee on 8 December 2014, the Chief Officer Change & Improvement updated Members of that Committee on a revised Programme Delivery structure.² Attached at **Appendix E**, Members will find a briefing paper from the Chief Officer Change & Improvement, updating Members on

² Papers are available on the Council's website at:
[https://formerly.cardiff.gov.uk/committeebrowser.asp?\\$state=meeting&\\$committee=9117&\\$meetingdate=08/12/14](https://formerly.cardiff.gov.uk/committeebrowser.asp?$state=meeting&$committee=9117&$meetingdate=08/12/14)

arrangements for the management of the Organisational Development Programme, and setting out progress in delivering the Programme to date.

Scope of the Scrutiny

10. The Wales Audit Office observed in its September 2014 Corporate Assessment of Cardiff Council that different Council Committees were at risk of duplicating effort when they periodically considered the same reports, and spelt out the importance of clarity of purpose in undertaking audit or scrutiny of these reports within the specific terms of reference of the individual Committee considering the item.

11. The Council's Audit Committee received a paper on this subject on 8 December 2014. The Committee's requirement for considering this matter was set out as seeking assurance, as part of that Committee's role to provide high level focus on assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial risk, that:

- Concerns raised in the WAO Corporate Assessment will be addressed as part of the OD Delivery Plan;
- Sound financial controls are in place, with robust evaluation of investment decisions and effective monitoring of expenditure and savings;
- Senior management are held to account for ensuring all officers understand and fully comply with Council rules and policies;
- The OD Plan is on track to deliver, with milestones being met and savings realised;
- The governance framework for change is robust, with appropriate management of risks and issues;
- Improvements to the performance management framework meet the changing needs of the Council;
- Lessons learned from other public bodies and internal change are being used to mitigate risk across the OD Programme.

12. This Committee's terms of reference empower the Committee to scrutinise: the way the Council manages its performance and improvement; how effectively the Council is implementing its policies; and to monitor the effectiveness of the Council's systems of

financial control, administration and human resources. This item therefore gives Committee the opportunity to exercise this power by holding the Cabinet Member and officers to account for their delivery of the milestones set out for the Programme of Organisational Change in May 2014, and in addressing the findings of the Wales Audit Office's September 2014 Corporate Assessment. Members may wish to relay any observations on the briefing paper attached at **Appendix E** and on the Council's effectiveness to date in delivering the Programme of Change, as well as any suggestions on how to optimise that delivery in the coming months.

Way Forward

13. Councillor Graham Hinchey, Cabinet Member for Corporate Services and Performance has been invited to attend for this item and may wish to make a statement. The Chief Executive, Paul Orders, and Martin Hamilton, Chief Officer Change & Improvement, will be in attendance to answer Members' questions.

Legal Implications

14. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

15. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to

consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

16. The Committee is recommended to:

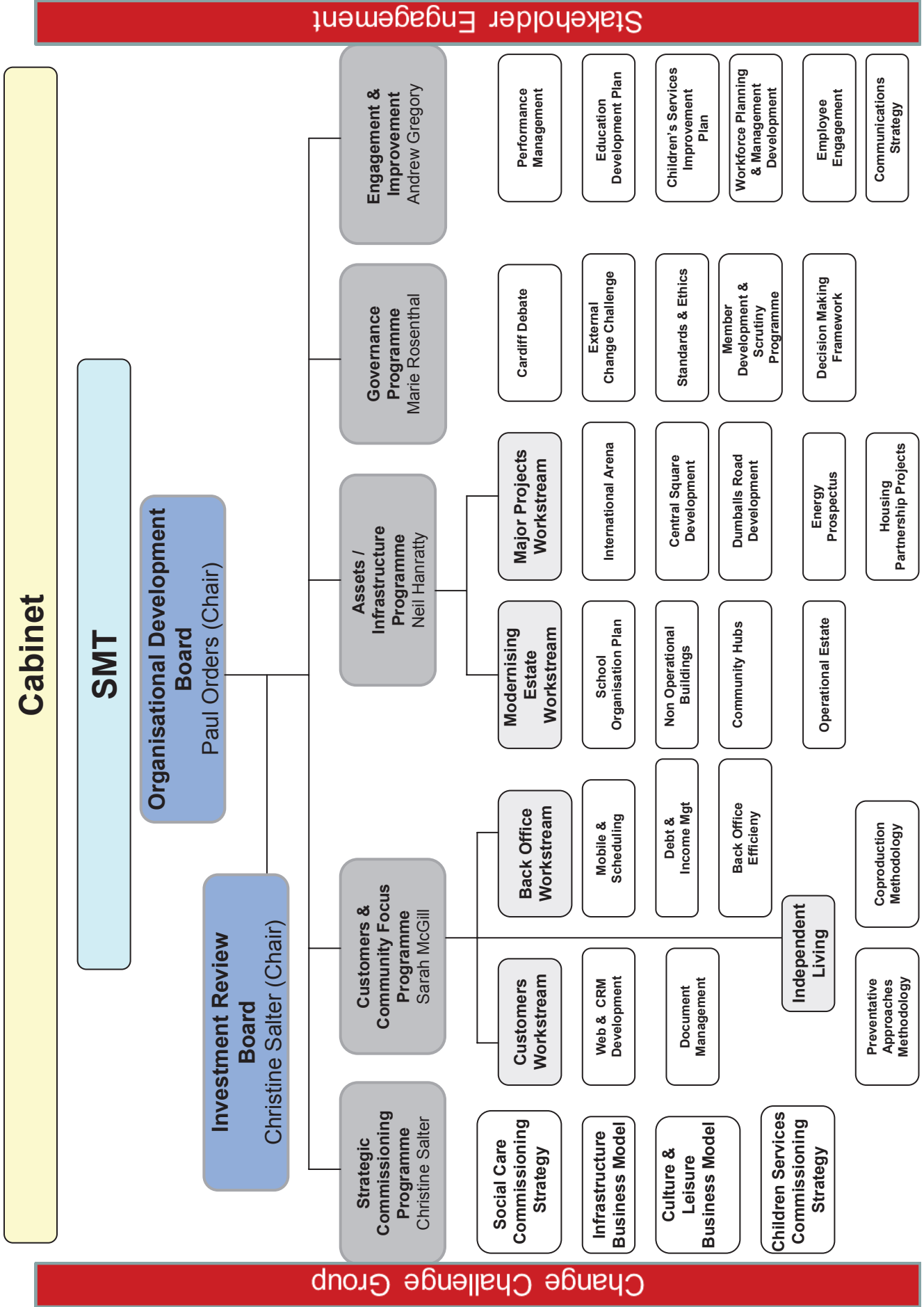
- i. consider the information presented in this report and at the meeting;
- ii. decide whether it wishes to make any recommendations to the Cabinet.

MARIE ROSENTHAL

County Clerk and Monitoring Officer
30 December 2014

Background papers:

- *“Establishing a Programme of Organisational Change for the City of Cardiff Council”* Cabinet report, 15 May 2014
- Wales Audit Office Annual Improvement Report including the Corporate Assessment 2014 The City of Cardiff Council, September 2014
- Wales Audit Office Corporate Assessment Cabinet report 18 September 2014
- City of Cardiff Council Audit Committee cover report on the Programme of Organisational Change and Wales Audit Office Corporate Assessment, 8 December 2014.



Appendix 4:**Organisational Development Programme 2014 - 17**

The Organisational Development Programme identifies the key enablers through which the Council will reposition its approach to understanding and meeting citizen needs. This approach will be central in meeting the challenges facing the organisation. The Organisational Development Programme will establish a new understanding of customer needs, and of the merits of different options to meet those needs. We will establish a strong culture of communication and engagement with employees, with members and with customers and citizens. This culture will underpin a sustainable and responsive approach to service delivery. We will also establish a new ethos of robust performance challenge and analysis to allow poor performance to be understood and addressed. Equally it will allow good performance to be recognised and celebrated whether at service, team, or individual level. We will establish a new dynamism to our asset and infrastructure management, to make the most creative and efficient use of both Council, and partner, property holdings.

These enablers will be aggressively exploited to deliver real improvements in outcomes secured for Cardiff's residents, businesses and visitors, and ensure that Cardiff's position as a leading UK & European city is secure. Specifically, the outcomes sought from the programme are:

- Reduced operating costs, to address rapid fiscal consolidation;
- Improved outcomes across the Council and in key improvement priorities, to address current performance weakness;
- Improved demand management & reduced failure demand, to more efficiently address the increasing demand for services;
- Delivery of key infrastructure projects to accelerate Cardiff's development as a European Capital City.
- Development of effective partnership & collaborative working, where that fits with our other objectives.

The Programme delivers key enabling tools to be implemented in a planned way across the Council, focussing our change and improvement resources in order to secure real and sustained impacts on areas which have been prioritised for change and improvement. The factors influencing prioritisation will vary. For example, some areas will be prioritised based on their potential to realise significant revenue savings, whilst other areas will be prioritised do to the current inadequacy of their performance. Initial priorities for development, each with a clear plan in place or in development, are:

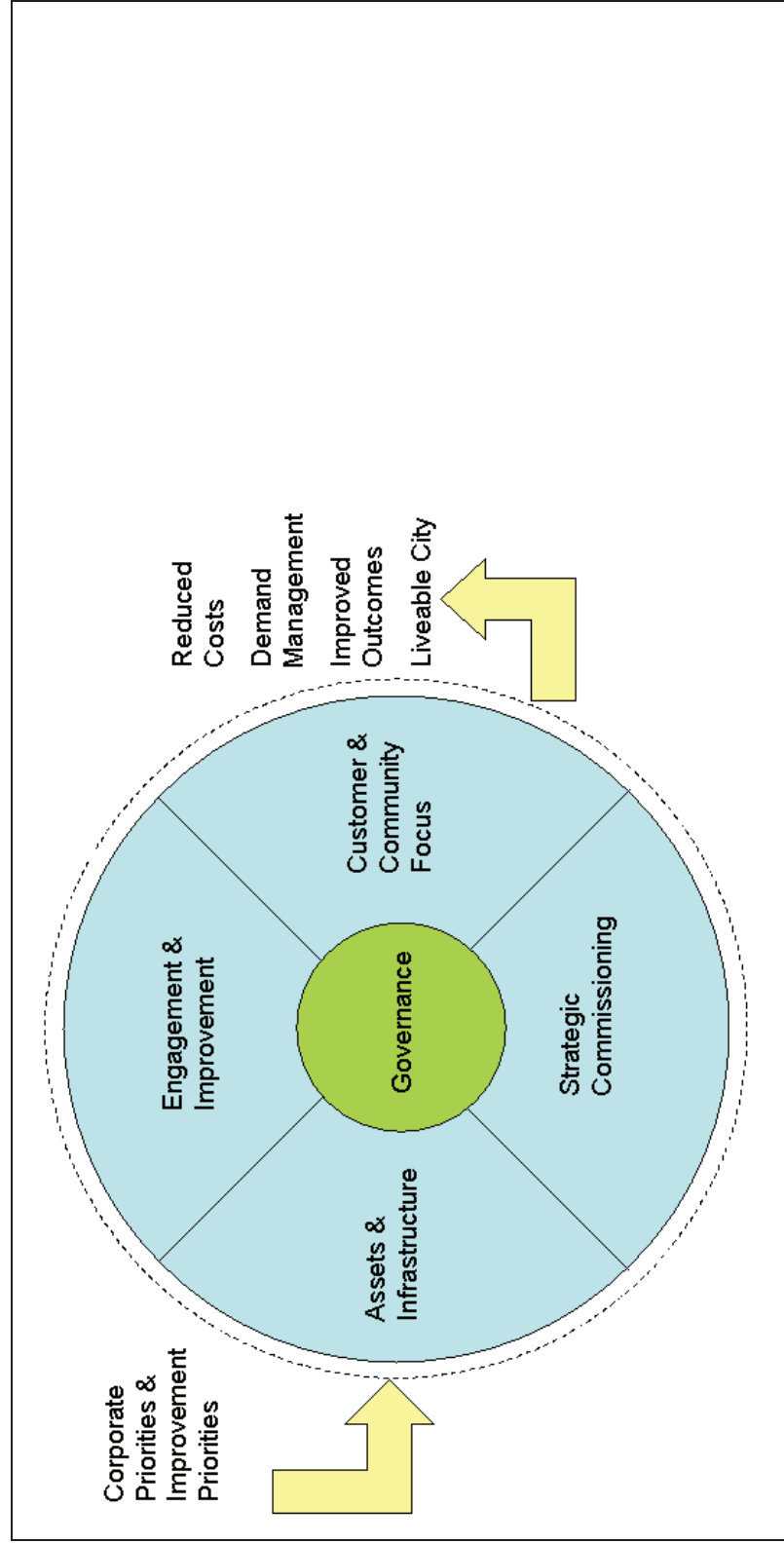
- **Education** – Following the Estyn inspection in 2011, and subsequent monitoring visits, a strong improvement plan is in place to drive real change in educational attainment;

- **Children’s Services** – As a high profile service dealing with the city’s most vulnerable children, an improvement programme is being developed to ensure that we are providing the best possible service to children in need and children for whom the Council is corporate parent;
- **Health & Social Care** – A service with significant financial pressures, seeking to meet the needs of some of the city’s most vulnerable citizens through complex partnership working, action has been prioritised to enable demand management and smarter procurement of services to meet these needs;
- **Sport, Leisure & Culture** – For these discretionary services which provide a real richness to the quality of life in Cardiff, there are well established private and third sector markets for provision which would allow outcomes to be sustained at reduced cost to the council. As such, a plan is in development to evaluate and determine the most appropriate future delivery model;
- **Central Transport Services & Facilities Management** – Core support services which have each been tasked with delivering major revenue savings, these are services where financial and outcome performance is of concern, and for which there are well established markets for alternative delivery. Improvement plans will be developed which will facilitate a decision on future operating models;
- **Infrastructure Services (Highways, Waste Management, Cleansing, Parks operations)** – Essential public facing services, a plan is being developed to identify and exploit opportunities which would flow if these functions were to be provided through a different delivery model.

In addition to the above priority projects, new approaches and norms developed through this project will be used to challenge and improve the delivery of outcomes across all current council services.

The Organisational Development Workstreams are:

- Engagement & Improvement
- Strategic Commissioning
- Customer & Community Focus
- Assets & Infrastructure
- Governance



Work Stream: Engagement & Improvement

Senior Responsible Officer – Andrew Gregory

Rationale: The Council is dissatisfied with current service performance, with too many key indicators in the lower quartile for Wales. Despite examples of good practice across the authority, performance management practice is under-developed corporately, particularly in terms of benchmarking and improvement planning. The Council needs to routinely facilitate honest, mature discussion on performance, to secure a position where our performance is understood by officers and Members, as well as by the citizens and stakeholders, and that this shared understanding informs the prioritisation of our improvement work. With reducing resources available to the Council there is an urgent need to secure a step change in this agenda in order to protect future outcomes for citizens. We recognise that that up-skilling the workforce to meet future challenges is only part of the solution – we also need to ensure that our employees feel fully engaged with their work, and have a keen understanding of the organisation's challenges and priorities in order that they may maximise their contribution to delivery.

Success: Indicators of success in this area will be: The values and mission statements of the Council owned, understood and role modelled; Improved performance across a range of services, seeing the Council move out of the bottom quartile in Wales: Reduced sickness absence; Improved PPDR compliance, and strong PPDR quality and year end assessments, reflecting high levels of employee ownership of their work outcomes; High levels of talented multi skilled flexible employees being retained; External recognition as an employer of choice; High demand for development opportunities linked to career progression. Reduced levels of disciplinary and grievances as managers identify engagement practice that reflect the needs of their team members and reduces disquiet and misunderstanding. Proactive communication evident in all available channels.

Objective	Action	Lead	Target Date
<p>Improve the performance of Council services in absolute terms and in comparison to other similar Councils through a comprehensive performance management programme</p>	<ul style="list-style-type: none"> • Establish Council wide clarity on priorities through the production of a Corporate Plan and Cardiff Partnership Plan which are regularly refreshed to reflect in year progress and the wider socio-economic climate: <ul style="list-style-type: none"> ○ Partnership Plan refresh commenced ○ Corporate Plan refresh commenced • Prepare Directorate Delivery Plans which translate the Corporate Plan, partnership priorities and improvement priorities into specific actions and measures and provide the basis for performance management • Performance management arrangements developed to ensure effective and consistent challenge at service, directorate, SMT, Scrutiny & Cabinet levels. To include: <ul style="list-style-type: none"> ○ Support & training for scrutiny and cabinet members in performance management; ○ Peer support for services to improve performance management practice; ○ Establish sufficient performance management resources within each directorate, and within the corporate team, to enable effective performance management support; ○ Develop the Council's performance management support staff to improve the consistency and impact of their work, and facilitate cross authority resource sharing; • Implement a Benchmarking strategy to enable comparison and learning 	<p>S McG MD</p> <p>All Directors</p> <p>MH</p> <p>MH MH MH</p> <p>MH</p> <p>MH</p>	<p>9/14 9/14</p> <p>5/14</p> <p>7/14 5/14 9/14</p> <p>9/14</p> <p>9/14</p>

Objective	Action	Lead	Target Date
	<p>with high performing, comparable, councils internationally;</p> <ul style="list-style-type: none"> • Improve visibility of Council performance by developing reporting tools and capabilities including: <ul style="list-style-type: none"> ○ Improved electronic data access at Scrutiny & Cabinet <p>Implementation of Balanced Scorecard reporting</p>	<p>MH</p> <p>MH MH</p>	<p>4</p>
<p>Provide targeted improvement planning and support to services in need of urgent improvement</p>	<ul style="list-style-type: none"> • Establish mechanism for targeted Improvement Support • Secure improved education performance through the Education Development Plan • Secure improved outcomes for children in need and looked after children through Children's Services Improvement Plan 	<p>MH</p> <p>NB</p> <p>TY</p>	<p>5/14</p>
<p>Improve management effectiveness at all levels in Cardiff Council through a focused programme of development & engagement;</p>	<ul style="list-style-type: none"> • "Cardiff Standard" clarifying our expectations of managers in terms of skills, competencies & behaviours is developed and approved by SMT • Cascade to all managers through group meetings • Establish Mandatory Development Programme covering: <ul style="list-style-type: none"> • Service Improvement • Performance Management • Financial Management 	<p>PL</p> <p>All Directors</p> <p>PL</p>	<p>7/14</p> <p>8/14</p> <p>10/14</p>

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> • People Management • Customer management • Training cascade plans in place <ul style="list-style-type: none"> • 50% managers below OM to have received mandatory training – Compliance report to SMT • 100% managers below OM to have received mandatory training – Compliance report to SMT 		<p>3/15</p> <p>3/16</p>
<p>Improve the contribution each employee makes to delivering the Council's priorities through effective management & engagement</p>	<ul style="list-style-type: none"> • All employees have PPDR Objectives agreed • Directorate PPDR quality samples reported to SMT • All employees have mid year Review • Directorate review quality sample reported to SMT • All employees have PPDR year end reviews • Improvement Plans in place for all "Ineffective" employees • 2015-16 programme to follow same cycle 	<p>All Directors</p>	<p>5/14</p> <p>6/14</p> <p>10/14</p> <p>12/14</p> <p>3/15</p> <p>4/15</p>
	<ul style="list-style-type: none"> • Establish Employee Charter, encapsulating values, roles and engagement; 	<p>PL</p>	<p>7/14</p>

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> • Set up following roadshows listening events in directorates and establish recognition process at local level: • Engagement approaches discussed with every manager as part of mid year PPDR review, and advice/support provided where necessary • Reinstate Council Wide recognition events use multi media to publicise and celebrate success – a day in the life of etc ; • Conduct Staff Survey to assess progress in employee engagement; 	<p>All Directors</p> <p>All Directors</p> <p>PL</p> <p>PL</p>	<p>7/14</p> <p>10/14</p> <p>10/14</p> <p>5/15</p>
<p>Visible leadership is established as a valued aspect of the Council's engagement & improvement work.</p>	<ul style="list-style-type: none"> • Senior Management Forum and the May Road shows to be lead by CEX and Directors • Road shows to focus on the future of the Council , engaging with employees listening to their ideas engaging in conversation , refreshing values, One Council • Establish specific Senior management team development 	<p>PL</p> <p>PL</p>	<p>5/14</p> <p>4/14</p>
<p>Safeguard future service delivery by assessing and preparing for the future skill mixes required within the Council</p>	<ul style="list-style-type: none"> • Identify future skills mix required for the successful operation of a mixed economy of service provision; • Establish current skills mix and identify skills gap to enable workforce planning 	<p>All Directors</p>	

Objective	Action	Lead	Target Date
<p>Improve employee, member, and stakeholder awareness of the Council's priorities, challenges and successes through effective communications</p>	<ul style="list-style-type: none"> • Build workforce planning strategy • Communication & Public Engagement Strategy approved by Cabinet designed to identify and communicate the council's vision of its purpose and intended outcomes for citizens and service users • Implement Communication channels to improve employee engagement • Increase citizen participation using social media to access information about the Council • Develop proposals for increasing subscriber led digital communications 	<p>MR</p>	<p>3/15</p> <p>9/14</p> <p>9/14</p> <p>6/14</p> <p>6/14</p>

Work Stream: Customer and Community Focus (C&CF)

Senior Responsible Officer : Sarah McGill

Rationale: The focus for service redesign within the Council and across the Cardiff Partnership begins with a clear understanding of the needs and aspirations of our customers and communities. Working to the principles of co-production we need to design services that are easy to access, provide the right intervention at the right time and are delivered by the most appropriate provider. Single service redesign cannot deliver the integration required to deliver these objectives. To deliver effective system change requires council services and partners to realign resources based on excellent customer and community intelligence to reduce complexity, duplication and any failure to meet demand. With reducing resources across the public sector, partner organisations need to integrate their first points of contact, assessment and back office activities into a unified, more efficient and simpler process that improves outcomes for citizens.

Success: Indicators of success in this area will be: Improved customer satisfaction across all client groups; unified first point of contact across a full range of channels; number of customers who can “tell us once”; number of service and partners with direct access to appropriate information; reduction in administrative and back office costs; reduction in failure demand at all levels; verified cost/ benefit information on the impact of preventative interventions to inform future commissioning activity.

Objective	Action	Lead	Target Date
Develop a range of unified channels for customer contact based on customer requirements and ensuring consistent quality.	<ul style="list-style-type: none"> • Customer Relationship Management (CRM) System business case • Contract Award for CRM Detailed Design and Build • First phase of CRM “Go Live” – C2C and Citizen hubs • CRM Unified Channel (Phone, Web, Face to Face) incl Online Transactional Self Service • Roll out of CRM across Directorates • Roll out of CRM to 3rd parties 	<p>-Ross Maude</p> <p>-Isabelle Bignall</p>	<p>4/ 14</p> <p>4/ 14</p> <p>2/15</p> <p>9/15</p> <p>-2016</p> <p>-2017</p>

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> • Website Content Refresh / Mobile Enabled website • Website / CRM Integration • Council Tax Online self service • First point of contact integration Proof of Concept– H&SC • Customer satisfaction performance and reporting framework agreed across full range of customer interactions 	<ul style="list-style-type: none"> -Isabelle Bignall -Gary Watkins -Rachel Bishop -Isabelle Bignall / Martin Hamilton 	<ul style="list-style-type: none"> 6/14 9/15 6/14 8/14 7/14
Develop a Corporate Approach to Debt	<ul style="list-style-type: none"> • Unified debt management Pilot – Parking Fines and Council Tax unified bailiff process • Unified debt management Pilot – Council Tax and Housing Rent arrears consolidated debt process • Establish Corporate Approach to Debt 	<ul style="list-style-type: none"> GW GW GW 	<ul style="list-style-type: none"> 3/15 3/15 2015-2017
Develop a Corporate Approach to Income Management	<ul style="list-style-type: none"> • Agree Income Management Policy • Implement new Capita income management system for first phase services • Review and replace chip & pin payment mechanism 	<ul style="list-style-type: none"> CS/GW GW GW 	<ul style="list-style-type: none"> 9/14 1/15 2014-2015

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> Establish standard payment process across all channels in partnership with CRM. Develop citizen finance portal to management Council payments 	GW/IB GW	2015-2017 2015-2017
Reduce unnecessary spend on back office functions in order to free up as much resource as possible for reinvestment in frontline services.	<ul style="list-style-type: none"> Develop a generic and repeatable process model for 1st point customer interaction & service request management Roll out of standardised Corporate Approach for first point of contact Common and efficient approach to back office support activity Roll out of common back office Standardised approach to document and record management including development of 'electronic post room Standard Corporate Process for managing customer interaction and customer service request. End to End integration from service request to delivery of service including all back office systems' All senior managers have undertaken training on the principles of Co-production. 	-Isabelle Bignall -Isabelle Bignall -Jane Thomas -Isabelle Bignall Isabelle Bignall	3/15 2015-2017 3/15 2015-2017 3/15 9/15 2015-17
Principles of Co-production are understood and applied to service		-Sarah McGill	9/14

Objective	Action	Lead	Target Date
redesign	<ul style="list-style-type: none"> Assessment of “independent living project” against principles of Co-production 	-Sarah McGill/Sian Walker	3/15
Establish support for communities in developing coproduction and Community Asset Transfers.	<ul style="list-style-type: none"> Establish Social Enterprise Fund for community organisations and social enterprises Implement 2014/15 Neighbourhood Partnership Community Fund, providing £35k for each partnership area to develop solutions to locally identified issues. Coordinate grant support and other funding arrangements, such as Communities First Funding and the Health & Social Care Fund, to focus on locally identified priorities through the Neighbourhood Partnership approach. Mobilise appropriate resources within the Council- particularly by identifying key specialisms amongst the workforce- to support communities develop alternative delivery models. 	NH RJ RJ	7/14 3/15 13/15
Single, unified customer and community intelligence informs future service development.	<ul style="list-style-type: none"> Existing needs assessment; performance data and customer intelligence is shared and analysed to inform service and partnership activity. 	SM -SMT	11/14 7/14 3/15

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> • Data sharing protocols established to enable “tell us once” approach • CRM data used for service outcome analysis / failure demand and customer satisfaction • Customer and Community feedback built into on-going cycle of service review 	<p>-Isabelle Bignall 5/15</p> <p>-Sarah McGill 9/14</p>	
<p>Mobile Working allows service requests get to delivery with maximum efficiency.</p>	<ul style="list-style-type: none"> • Mobile and scheduling technology roll out : <ul style="list-style-type: none"> ▪ CMS ▪ H&SC 	<p>-Jane Thomas 5/14</p> <p>-Sian Walker 3/15</p>	<p>2015-2017</p> <p>3/15</p>
<p>Process and methodology for impact assessment of preventative approaches established through the Independent Living project</p>	<ul style="list-style-type: none"> • Further Deployment across Organisation • Impact assessment built into Independent Living project outcome requirements • Framework agreed to capture qualitative and quantitative impact assessment of preventative activity to reduce responsive activity. • Service Need and Demand Identification / Single Gateway Implementation • Delivery of Independent Living Project 	<p>-Jane Thomas 2015-2017</p> <p>-Cardiff University 3/15</p> <p>-Jane Thomas 2015-2017</p> <p>SMcG/SW</p>	

Work Stream: Strategic Commissioning

Senior Responsible Officer – Christine Salter

Rationale: Action is required to ensure that the Council has a more consistent and evidenced based approach to how it designs and delivers services to address the needs of communities and citizens and to focus on the delivery of prioritised outcomes. To achieve this the Council will need to adopt a strategic commissioning approach where we will objectively assess need, prioritise outcomes, review how best to deliver the outcomes and then consider the full range of service delivery models available. We will positively value a mixed economy of provision because it offers the best range of options to deliver the identified outcomes.

Success: Specification and commissioning of services based on the delivery of clear outcomes; Option appraisal of appropriate delivery models completed in a timely manner; implementation of new ways of working achieve a lower cost base for the Council;

Objective	Action	Lead	Target Date
Develop and implement the Council's Strategic Commissioning approach	<ul style="list-style-type: none"> Establish a shared understanding and language with Members, Senior Management and Partners 	SR	6/14
	<ul style="list-style-type: none"> Develop the Council's strategic commissioning model 	SR	7/14
	<ul style="list-style-type: none"> Prepare and publish a statement of strategic intent, setting out the Council's commissioning intentions and priorities 	SR	9/14
	<ul style="list-style-type: none"> Complete an internal commissioning capability review using the Welsh Government framework 	RJ	12/14
	<ul style="list-style-type: none"> Review and update the Cardiff Strategic Needs Assessment framework 	SR	12/14
	<ul style="list-style-type: none"> Complete development of a Strategic Commissioning framework and supporting toolkit 	SR	3/15
Oversee the development of	<ul style="list-style-type: none"> Finalise the development of a commissioning strategy for Older 	Sian Walker	8/14

Objective	Action	Lead	Target Date
<p>specific commissioning strategies and plans</p>	<p>People</p> <ul style="list-style-type: none"> • Develop a commissioning plan to support delivery of the commissioning strategy for Older People • Develop a commissioning strategy for Children and Young People / Looked After Children • A full rolling programme will be developed during quarter 1 of 2014/15 	<p>Sian Walker Tony Young</p>	<p>12/14 12/14</p>
<p>Instigate and co-ordinate a programme of Service Reviews across the Council to ensure that the services provided are fit for purpose, offer value for money and are capable of meeting current and future service demands and expectations within the constraints of the budget strategy.</p>	<ul style="list-style-type: none"> • Develop a service review toolkit to ensure services are reviewed in a consistent way; • Establish a phased rolling programme of service reviews <ul style="list-style-type: none"> ○ Phase 1 Service Reviews agreed to include: <ul style="list-style-type: none"> ▪ Waste Management ▪ Street Cleansing ▪ Highways Management ▪ Pest Control ▪ Parks Operations ▪ Central Transport Services ▪ Facilities Management • Provide training to relevant teams. • Report output of Phase 1 service reviews into SMT and relevant Cabinet Member • Peer review challenge sessions with external support where appropriate 	<p>MH Lead Director MH Lead Director</p>	<p>1/14 Ongoing 5/14 onwards 7 – 9 /14</p>
<p>Options appraisals undertaken to identify potential service delivery models ensuring that the option chosen is that which most effectively meets the</p>	<ul style="list-style-type: none"> • Develop Alternative Delivery Model guidance and toolkit to enable evaluation of delivery models in a consistent way; • Forward programme of functions for delivery model evaluation established • Project teams to be established for each function 		<p>10/2014 11/2014 12/2014</p>

Objective	Action	Lead	Target Date
<p>identified requirements.</p>	<ul style="list-style-type: none"> Project plan and timeline for each function developed Report to Cabinet on delivery models, by function 		
<p>Progress service review outcomes to identify potential service delivery models ensuring that the option chosen is that which most effectively meets the identified requirements.</p>	<p>Leisure & Culture:</p> <ul style="list-style-type: none"> Conclude the feasibility exercise on leisure & culture, with report to Cabinet; Prepare Detailed Business Case for Cabinet approval Prepare procurement strategy & specification for services selected within feasibility study; Agreed operating model in place <p>Infrastructure Services:</p> <ul style="list-style-type: none"> Conclude Phase 1 service reviews and consider outcomes to inform next steps; Outline Business Case to Cabinet Detailed business case to Cabinet Implementation Phase (timing dependant on option) 	<p>Director for Culture, Leisure & Sport</p>	<p>6/14 9/14 10/14 9/15</p>
		<p>Jane Forshaw</p>	<p>7/14 9/14 12/14 6/15</p>

Work Stream: Improved Governance

Senior Responsible Officer – Marie Rosenthal

Rationale: Governance comprises the systems and processes, and culture and values by which the council is directed and controlled and through which it accounts to, engages with and where appropriate leads the community. Good Governance is essential both to elected councillors and the public. It supports leaders in making the right decisions,, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that decisions are being taken for the right reasons, that the quality of service is protected and that public money is being wisely spent. In times of tight resources, governance processes should be focused on key controls, namely those considered critical to achieving the council’s strategic goals

Our ambition is for the governance of the Council to demonstrably improve the quality of policy outcomes, public services, and public spending for Cardiff residents and all who rely on our services. To support this ambition we need robust governance arrangements with opportunities for political, peer and community engagement with our improvement journey.

Success: Indicators of success in this area will be improved annual perceptions of Cardiff Citizens, improved performance across of a range of services, seeing the Council move out of the bottom quartile in Wales and more public engagement in the running of the Council

Objective	Action	Lead	Target Date
Secure peer challenge to the Council's improvement work to maximise the effectiveness of improvement effort.	<ul style="list-style-type: none"> Establish a formal mechanism for experts in local government and in specific services to work with the Council to challenge and support our work corporately and in specific improvement areas, reporting to Cabinet 	CX	6/2014
Initiate a "Cardiff Debate" within the communities of Cardiff to engage the public in shaping the future of the Council	<ul style="list-style-type: none"> Hold first Cardiff Debate Analyse results to inform budget for 2015-16 and service delivery options Feedback to Cardiff on how debate shaped budget Establish framework for ongoing community dialogue 	SMcG	6/14 10/14 2/15 4/15
Council Members demonstrably owning and directing policy development & performance improvement	<ul style="list-style-type: none"> Strengthen the scrutiny function by establishing a more strategic engagement with the key issues. Implement member development programme to facilitate wide, informed engagement with policy development and performance improvement Work with all Committees to review their objectives and work plans for 2014/15 to focus on impact and outcomes Evaluate current executive decision making and forward plan, and bring forward proposals for improvement Support constructive engagement between Cabinet & Scrutiny Members 	MR MR MR MR MR	9/2014 6/14 6/14 9/14 9/14

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> Develop mechanism to enable Neighbourhood Partnership lead members to provide structured community perspective to policy and performance debate; Develop a concise informative annual public report based on the key questions the public are likely to want answered about the council containing key risk and performance information, plus anything else fundamental to council strategy. A web-based annual report could be a live document, updated after the audit of the accounts. 	<p>SMc</p> <p>MR</p>	<p>9/14</p> <p>1/15</p>
Establish excellent risk management across the Council	<ul style="list-style-type: none"> Corporate risk register updated by SMT on a quarterly basis and reported to Cabinet on a 6 monthly basis; Risk register for Organisational Development Programme established for discussion with SMT, Cabinet, and Scrutiny to ensure that key issues are addressed to enable the programme to deliver effectively; Business Continuity risks which arise from business decisions within the Organisational Development Programme are identified and properly understood and mitigated. 	<p>CS</p> <p>MH</p> <p>MH, with Directors</p>	<p>Ongoing</p> <p>9/14</p> <p>7/14</p>
Review the effectiveness of the Council's decision-making framework, including delegation arrangements, decision making in partnerships, robustness of	<ul style="list-style-type: none"> Review existing scheme of delegation with particular focus on the roles and responsibilities of the executive, non-executive, scrutiny and officer functions Review work planning and decision making protocols in respect of partnership & third party arrangements 	<p>MR</p>	<p>7/2014</p>

Objective	Action	Lead	Target Date
data quality and demonstrating clear accountability	<ul style="list-style-type: none"> • Research best practice at major UK & international cities in relation to effective governance structures • Review and begin to implement improvements to current collaborative scrutiny arrangements with partner organisations including a review of the current Local Service Board Scrutiny Panel . • Encourage public participation in council meetings by making meeting more welcoming to the public including developing a public question time at cabinet and committees 		
Develop, communicate and embed codes of conduct, defining the standards of behaviour for members and staff	<ul style="list-style-type: none"> • Establish clear values and standards which will inform both officer and member conduct, and provide the basis for excellent governance. • Communicate the agreed values and standards widely within the Council and to all stakeholders. 	MR	
Review and refresh Corporate safeguarding arrangements	<ul style="list-style-type: none"> • Review of 'Corporate Safeguarding Group' Terms of Reference as a basis for the renewal of effective Corporate Safeguarding governance arrangements 	TY	9/14
Ensure that the Council's decision making is informed by effective and transparent impact assessments	<ul style="list-style-type: none"> • Review the process for the completion of the impact assessment screening tool as part of cabinet reporting process • Establish quality assurance mechanism for screening process • Review accessibility of impact assessment data 	MR	

Work Stream: Assets & Infrastructure

Senior Responsible Officer – Neil Hanratty

Rationale:

The Council's operational estate has an important role to play in supporting the Council's transition into a modern fit-for-purpose organisation. A new and efficient estate will reduce costs and improve staff morale and citizen satisfaction. An accelerated programme of rationalisation and modernisation will be delivered based around an improved clustering of Council and partner services. This will also involve maximising the potential of an upgraded schools estate as the focus for the delivery of a wider range of public services. Improving the performance of the Council's non-operational estate is another important aspect of this agenda. This will involve a review of poor performing property; to ensure capital investment is prioritised towards property with the greatest potential to generate improved yields; and to identify the appropriate property to be prioritised for release, either to support community development or to generate a capital receipt.

Cardiff is now entering a new phase of economic regeneration. Over forthcoming years the city will need to respond to the challenge of accommodating an unprecedented level of predicted population growth and the consequent demand for new jobs. Meeting this challenge at a time of tightening finances for the public sector will require creative use of the Council's resources and assets. Delivery of key projects in the Cardiff Enterprise Zone and the reinvigoration of Cardiff Bay will be crucial in stimulating the city's future economic success.

Success:

Reduced cost of the operational estate; reduced maintenance backlog; increased yield from the non-operational estate; higher levels of customer satisfaction (internal and external); delivery of key major projects; jobs created; investment secured.

Objective	Action	Lead	Target Date
Rationalise and modernise the Council's operational estate to reduce costs and to assist with delivery of the Council's improvement plan	<ul style="list-style-type: none"> • Seek authority from Cabinet on a new Strategic Property Strategy • Initiate review of public sector property collaboration work • Following Cabinet approval, implement a new service area 'property partner' approach including the development of detailed service area property plans • Develop a detailed programme to deliver the property plans including a prioritised schedule of properties for investment and/or disposal • Seek Cabinet approval of investment and disposal plan for 15/16 • Identify key opportunities for public sector collaboration on property 	<p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p>	<p>9/14</p> <p>10/14</p> <p>11/14</p> <p>12/14</p> <p>1/15</p> <p>3/15</p>
Deliver the Schools Organisation Programme	<ul style="list-style-type: none"> • Review 21st Century Schools Plan • Implement the recommendations of the Gateway review • Support the further development and implementation of the SEN review • Undertake a detailed review to identify opportunities to maximise capital receipts to improve sufficiency and suitability of places 	<p>GD</p> <p>GD</p> <p>GD</p> <p>GD</p>	<p>9/14</p> <p>9/14</p> <p>11/14</p> <p>12/14</p>

Objective	Action	Lead	Target Date
<p>Improve the performance of the non-operational estate to maximise income</p>	<ul style="list-style-type: none"> • Update the review of the non-operational estate • Seek Cabinet approval of non-operation review • Develop a detailed programme for the implementation of the agreed review. 	<p>NH NH NH</p>	<p>6/14 7/14 10/14</p>
<p>Deliver a Community Hub programme</p>	<ul style="list-style-type: none"> • Strategy for future Citizen Hub developments to be integrated into wider land and asset strategy to ensure “best fit” of Council and partner investment to meet identified needs. • Schools Organisation Plan developments to include consideration of community needs and options for wider local service provision • Roll out of future hubs to be mapped as part of the “liveable city” agenda including co-location wherever possible with district centres. • Alternative delivery models for hub management to be considered as part of the citizen hub strategy 	<p>NH/SMG GD DD JT</p>	<p>9/14 7/14 7/14 7/14</p>

Objective	Action	Lead	Target Date
Deliver the International Arena project	<ul style="list-style-type: none"> • Agree a procurement strategy for the delivery of the Multi-purpose arena. • Secure the preferred site for the Multi-purpose arena • Initiate relevant OJEU procurements relating to the delivery of the Multipurpose arena • Submit an outline planning application for site master-plan • Appoint a preferred delivery partner • Submit a detailed planning application for the Multi-purpose arena • Finalise contract negotiations for the delivery of the arena • Commence development of the Multi-purpose arena • Complete development of the Multi-purpose arena 	<p>JW</p> <p>JW</p> <p>JW</p> <p>JW</p> <p>JW</p> <p>JW</p> <p>JW</p> <p>JW</p> <p>JW</p> <p>JW</p>	<p>6/14</p> <p>7/14</p> <p>9/14</p> <p>12/14</p> <p>3/15</p> <p>3/15</p> <p>6/15</p> <p>6/16</p> <p>6/18</p>
Deliver the Central Square project	<ul style="list-style-type: none"> • Complete the acquisition of the NCP Car Park site • Initiate concept designs for the two potential options for an Integrated Transport Hub • Commence development of detailed design for the public realm scheme 	<p>NH</p> <p>NH</p> <p>NH</p>	<p>6/14</p> <p>9/14</p> <p>9/14</p>

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> • Complete concept designs for the Integrated Transport Hub • Initiate consultation on the two options for the Integrated Transport Hub • Report to Cabinet on the findings of the consultation on the Integrated Transport Hub and agree a preferred option. • Submit an outline application for the Central Sq master-plan including detailed public realm scheme • Initiate detailed design for the preferred option for the Integrated Transport Hub • Secure £5m capital receipts to fund public realm improvement works • Initiate a procurement for the delivery of the public realm scheme • Seek Cabinet approval of detailed scheme for Integrated Transport Hub • Submit planning application for Integrated Transport Hub • Manage closure of bus station • Commence work on the delivery of phase 1a of the public realm scheme 	<p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p>	<p>11/14</p> <p>11/14</p> <p>2/15</p> <p>2/15</p> <p>2/15</p> <p>2/15</p> <p>2/15</p> <p>5/15</p> <p>5/15</p> <p>6/15</p> <p>6/15</p>

Objective	Action	Lead	Target Date
	<ul style="list-style-type: none"> • Complete phase 1a of the public realm scheme • Commence work on the delivery of phase 1b of the public realm scheme • Complete phase 1b of the public realm scheme • Complete demolition of Marland House • Complete demolition of St David's House 	<p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p> <p>NH</p>	<p>12/15</p> <p>1/16</p> <p>12/16</p> <p>3/17</p> <p>12/18</p>
Deliver the Dumballs Road regeneration scheme	<ul style="list-style-type: none"> • Undertake detailed due diligence on the scheme • Secure planning permission • Seek Cabinet approval to progress with delivery • Finalise contract negotiations • Identify private house builders to progress phase 1 	<p>JN</p> <p>JN</p> <p>JN</p> <p>JN</p> <p>JN</p>	<p>4/14</p> <p>6/14</p> <p>6/14</p> <p>6/14</p> <p>9/14</p>
Deliver over 1500 new energy efficient properties on a range of Council owned sites across the city to meet identified housing need. The tenure mix on each site will ensure the	<ul style="list-style-type: none"> • Appointment of preferred development partner • Commencement of Phase 1 of development • First phase of development at Braunton Crescent Completed and handed over 	<p>SMG</p>	<p>01/14</p> <p>03/15</p> <p>03/16</p>

Objective	Action	Lead	Target Date
delivery of more balanced and sustainable communities with at least 40% being new affordable homes	<ul style="list-style-type: none"> • Review of KPI's for phase 1 and agreement on Phase 2 programme of work • Completion of Phase 1 and final review prior to commencement of phase 2 		12/17 10/18
Consult & deliver as appropriate on an Energy Prospectus	<ul style="list-style-type: none"> • Draft Energy Prospectus and green Paper to be launched at Full Council • Consult with City & City Region partners • White Paper considered by Cabinet • Commence delivery, subject to Cabinet decision on White Paper 	JF JF JF JF	6/14 8/14 9/14 10/14 & ongoing

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 8 May 2014



Appendix 6
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Neuadd y Sir
Caerdydd,
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Councillor Phil Bale
Leader, Cardiff Council
County Hall
Cardiff
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Item 5 Appendix C

Dear Councillor Bale,

POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE 6 May 2014 Organisational Change Draft Cabinet Report

On behalf of the Committee, thank you for attending the Policy Review and Performance Scrutiny Committee to enable pre-decision scrutiny of the draft 'Organisational Change' Cabinet report. Please also pass Members' thanks to the Cabinet Member for Corporate Services and Performance, the Chief Executive and the Assistant Director for Sport, Leisure and Culture.

There is an evident recognition, shared by this Committee, that the Council needs to change, partly in response to external pressures, but also in order to address its internal challenges. The draft report sets out a frank opinion that Cardiff Council is currently characterised by a 'top down, silo-based approach to service delivery', an assessment which several Committee members recognised. The Committee therefore welcomed the proposal to implement an Organisational Development programme. However, we will look to see its outcomes and potential cashable savings more clearly set out as the scope of the workstreams and projects is defined, given that a considerable fund of £1.7 million has been set aside for this work.

There are – as highlighted during the meeting – a number of areas that will be tackled by the Programme to which this Committee has drawn attention in the past. Among others, these include employee and public engagement; workforce planning; asset management; performance management; web and customer management. The Committee looks forward to scrutinising those workstreams, service reviews and projects which fall under its remit in more depth, to provide support and challenge as the Programme progresses. We will start on our Committee work programming after Annual Council, so will look to schedule items at appropriate points. I'm confident that you will agree that Scrutiny engagement will be crucial to the Programme's development and implementation.

Members queried whether there was still an appetite for change within the Council particularly below Operational Manager level. We hope that the Employee Engagement project will provide a sustained mechanism to make the most of the valuable experience and knowledge of Council staff, as well as to gauge staff opinion and morale. As highlighted by one Member, staff should be part of a team identifying and taking ownership of issues and helping to develop solutions. We would like to



consider the results of forthcoming engagement activity as relevant as we consider Organisational Development projects in more depth.

The Committee noted the emphasis on a Strategic Commissioning approach contained in the report and recommend that as proposals develop you engage fully with relevant Scrutiny Committees. Members further recommend that a strong 'feedback' mechanism is built into the Commissioning cycle. Communities need to know that we have taken ideas on board and acted as appropriate, once we have analysed their needs. However, the Committee welcomes the overall focus on engaging communities in the design, and potentially the delivery, of services. We recommend that the Cabinet considers bringing together a team within the Council to enable and support communities in developing alternative delivery method proposals. This could draw upon expertise already within the Council, for example Finance, Legal, Procurement, and Grants officers, as well as Learning, Training & Enterprise and Neighbourhood officers. Such a team could assist in identifying and developing suitable models for the delivery of a particular service, give advice on accessing funding and information, and act as a central contact point. We would hope that such a team could be a valuable resource in building links with communities, developing community capacity and ensuring a smooth transition of services where necessary.

The Committee further supports the establishment of a 'Cardiff Debate', having as you will recall, emphasised the need for effective citizen engagement on many occasions when you sat on the Committee. As stated above, Members are clear that effective community engagement must involve a feedback mechanism to demonstrate where engagement has resulted in change. We also hope that the Debate will aim to hear from a wide-range of citizens and communities, and not just the 'usual suspects'.

In terms of the resourcing of the Programme, the Committee would like more clarity, in order to determine the potential impact on the delivery of other services, given that capacity is already stretched in some Directorates. We would also like to have greater understanding of the Earmarked Reserve which has been established and what is meant by 'technical, professional and specialist support'.

In terms of the Peer Challenge Group, the Committee recommends that its Terms of Reference are further refined. If its remit is to provide 'advice', 'challenge', 'critical friendship' and signposting to good practice, then, as Members commented at the meeting, the Committee feels that an external Chair should be appointed to ensure that the Group provides an independent voice. Members also recommend that a formalised reporting mechanism should be established to both formal Cabinet business meetings and this Committee, so that there is wider corporate and public visibility and opportunity for shared learning from the Group's advice. Finally, the Committee felt that the frequency of meetings should be formally set out, rather than left to be scheduled 'as required' to ensure that the Group's momentum is kept up.

There are several recommendations and requests for further information included in this letter, so I would be grateful for your response. Thank you again for attending the Committee meeting and I look forward to working with you in future as these initiatives develop further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nigel Howells', with a stylized flourish at the end.

**COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Councillor Graham Hinchey, Cabinet Member for Corporate Services & Performance
Paul Orders, Chief Executive
Martin Hamilton, Assistant Director – Sport, Leisure and Culture
Cabinet Office
Members of the Policy Review & Performance Scrutiny Committee



Fy Nghyf / My Ref: CM27698

Dyddiad / Date: 26th June 2014

Item 5 Appendix D

Councillor Nigel Howells
Chair, Policy Review and Performance Scrutiny Committee
City of Cardiff Council
county Hall
Atlantic Wharf
Cardiff
CF10 4UW

Annwyl / Dear Councillor Howells,

**Re: Policy Review and Scrutiny Committee- 6th May 2014
Organisational Change Draft Cabinet Report**

Thank you for your letter of May 8th setting out the Committee's comments and recommendations regarding the 'Organisational Change' draft Cabinet report.

I have previously expressed the importance of a strong scrutiny function for the effective governance of the Council. Having served on the Policy Review and Performance Committee I am aware of the insight and commitment that exists. I am firmly of the opinion that scrutiny has an important role to play in delivering the Organisational Change Programme and other major policy initiatives.

I am pleased to say that the report included a number of issues previously raised by the Committee, such as workforce planning, asset management, performance management and customer engagement. I also agree with the Committee that Scrutiny engagement will be crucial to the Programme's development and implementation. In view of this, Cabinet Members and Officers will be happy to work with Scrutiny to ensure that the work-streams falling under the Organisational Development Programme 2014-17 can be considered by Scrutiny as and when appropriate.

In relation to the issue of an appetite for change within the organisation, I can assure the Committee that the Chief Executive has a strong senior management team in place ready to lead this change programme. The Chief Executive has also undertaken sessions with operational managers at Senior Management Forum as part of the organisational development process. The feedback was very positive with a desire, particularly at operational manager level, to be empowered to take forward a positive programme of change and improvement.

I would also emphasise that the Co-operative values that underpin our approach will play an important part in engaging staff. The report makes clear that success will be dependent on

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the talent and commitment of Council employees. That is why I felt it was very important that the Chief Executive launch a programme of staff engagement. The Staff Roadshows which have taken place demonstrates this commitment to better engagement and staff development, which will be at the centre of how we will plan and implement changes.

In line with your recommendation, work will also be undertaken to ensure that a feedback mechanism is built into the commissioning cycle, and we will engage with the committee again as this work is developed.

The Committee's recommendation that the Council mobilise resources to support communities to develop alternative delivery models has also been included in the Organisational Development Programme, and we will explore an appropriate approach for taking this forward.

With regards to the Cardiff Debate, the engagement programme will ensure that as many people as possible are given the opportunity to feed in to the process. The approach will also draw on the Neighbourhood Partnerships in Cardiff, to enable as many people as possible are given the opportunity to contribute. Close work with existing community and third sector organisations, and their representatives, will be important however this is only one aspect of the Cardiff Debate. Specific community events will allow us to engage directly with citizens and easy-to-overlook groups as part of a comprehensive approach to engaging with communities on the issues that matter to them. It will include on street activity as well as opportunities to engage through a range of social media.

A briefing for all members will also be arranged on the Cardiff Debate to assist them, in their role as community champions, to encourage people to get involved in shaping the services they receive.

I recognise also the need for external representation on the Peer Challenge Group, however as this programme is central to the long term sustainability of service delivery, it must be led by the organisation's leadership who are accountable to the public. We will have external representative on the Group to provide independent voice and challenge, but the Chair must sit within the organisation. In terms of reporting, both Cabinet and scrutiny will receive regular and detailed updates as well as an opportunity to challenge.

To provide greater clarity on resources, including the Earmarked Reserve, the Committee will be presented with more detailed information at an upcoming meeting. With regards to the Committee's recommendation that there needs to be a formal schedule of meetings, it has been agreed that the Group will meet quarterly.

I look forward to working closely with the Committee in future as we implement the programme- your involvement will be important in making this a success.

Yn gywir,
Yours sincerely,



**CYNGHORYDD / COUNCILLOR PHIL BALE
ARWEINYDD, CYNGOR DINAS CAERDYDD
LEADER OF THE CITY OF CARDIFF COUNCIL**

CARDIFF COUNCIL CYNGOR CAERDYDD

POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

6 JANUARY 2015

ORGANISATIONAL DEVELOPMENT PROGRAMME UPDATE

Reason for this Report

1. This report provides members with an update on the Organisational Development Programme (ODP) to facilitate scrutiny of progress made and on next steps.

Background

2. In March 2014 the Wales Audit Office undertook a Corporate Assessment of the Council, which sought to answer the question, "Is the Council capable of delivering its priorities and improved outcomes for citizens?"
3. The Corporate Assessment, published in September 2014 drew the following conclusions:
 - Political and managerial instability over a number of years has meant that the Council has been unable to develop the culture and framework necessary for continuous improvement
 - The Council has identified what it wants to achieve for its citizens but has lacked an effective means of delivery
 - Some processes intended to ensure good governance have not been implemented, and decision-making processes are inefficient and lack transparency
 - Whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past
 - Although the Council ensures a balanced budget, prospects for achieving proposed savings in 2014-15 are uncertain and the anticipated level of future funding means the current methods of service delivery are unsustainable
 - Corporate human resource arrangements are founded on positive practice but are not being implemented consistently
 - The Council is improving its use of information technology and its information arrangements
 - The Council is not managing its land and property assets well
 - The Council engages well in collaboration with others and is able to demonstrate improved outcomes for citizens.

4. In May 2014, prior to the publication of the Wales Audit office Corporate Assessment, Cabinet established the Organisational Development Programme (ODP) as the delivery mechanism for a new organisational model, based on cooperative principles that will reposition the Council and enable it to respond positively and effectively to the challenges of rapid fiscal consolidation, growing service demand, and inadequate performance in key areas.
5. Following the Wales Audit Office Corporate Assessment, a further Cabinet Report was approved on 18 September 2014 setting out how the Council would ensure that the Council addresses the Auditor General's primary proposal for improvement, which is that "the Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in this assessment".
6. The September report set out how the Organisational Development Programme will ensure delivery of continuous improvement in both systems and services:
 - Further strengthening of Corporate Planning & Performance Management;
 - Clarifying measures to improve medium term financial planning;
 - Strengthening "Governance" programme;
 - Streamlining "Assets & Infrastructure" programme to focus on organisational development alone;
 - Refining the management of the programme to better facilitate the flow of different initiatives through the programme.

Issues

7. Since May 2014 the Council has been engaged in a significant programme of change and improvement under the framework of the ODP. Through the programme work has been progressed to address the key issues identified in the May 2014 Cabinet report, and also in the September WAO report. This change agenda has sought to directly address the WAO findings, as summarised below.

Effective Planning & Delivery

8. WAO found that the Council had identified what it wanted to achieve, but lacked an effective means of delivery. WAO also observed that the Council's performance management arrangements had "failed to consistently secure improvement in the past". The Council has taken significant steps which collectively address this issue, including:
 - Adopted a clear vision for the city – to become "Europe's most liveable capital city".
 - Joined the UK Core Cities group, positioning Cardiff to help shape the national debate about the future of cities and city regions in the UK;
 - Adopted the Co-operative Council agenda for Cardiff, and developed, through a programme of staff engagement, adopted clear values for the Council;
 - Strengthened corporate planning arrangements have been put in place, with a very focused set of priorities linked to clear objectives and measures.
 - Strengthened performance management arrangements have been put in place, with a specific emphasis on improving the challenge and interrogation of

performance information. This has included the creation of an Accelerated Improvement mechanism, and also the creation of a specific Challenge Forum through which expert peer support can engage with the Council's improvement work and challenge both approaches taken and progress made;

- Established a fresh approach to employee engagement, with both Chief Executive and Director led events across the Council
- Established a Cardiff Manager Programme to ensure that all managers at grades 8-10 have key skills in performance, financial and service management.

9. Collectively, these steps have articulated the Council's ambition and established the mechanisms for stronger service delivery. Key achievements that flow from these actions include:

- Education – performance for the last academic year has shown significant improvement, at rates higher than the Welsh average in a number of key indicators where previously the Council's rate of improvement was relatively low. Arrangements are in place to act where individual schools have not made the expected progress.
- Children's Services – good progress has been made with recruitment and retention of social workers, to stabilise the service. Timeliness of initial assessments has improved from 33.1% in July 2014 to 67% in September 2014, and an independent audit of Intake & Assessment casework has provided reassurance regarding social work practice.
- Employees – 90% of employees have had objectives set and around 80% have had a mid year review (at the time of writing this report). These indicators reflect a step change in compliance compared to previous years.

Responding to Increased Demand and Fiscal Consolidation

10. The Corporate Assessment noted that whilst the Council has a track record of ensuring a balanced budget, prospects for achieving proposed savings in 2014-15 were uncertain, and that the anticipated levels of future funding meant that current methods of service delivery would be unsustainable. The May 2014 Cabinet report also identified this as a significant issue, and signaled a shift towards becoming a commissioning council, rather than a direct provider of services. A range of service reviews have been conducted across the organization, and alternative delivery models (ADMs) have been evaluated in Leisure, Culture, and in the Environment/Infrastructure services. Work in these areas is all ongoing, with alternative delivery models targeted to be in place during 2016.

11. Additionally, service reviews have been conducted in both Youth and Play services, with more targeted models of delivery being developed, and in Corporate Services, where the outcome has been a plan to move to a leaner, more focused, in-house service. Service reviews are also underway in Health & Social care, linked to the roll out of mobile and scheduling technology.

12. The Council has established within its Organisational Development team a specific LEAN capability, with more staff being trained. LEAN is a particular approach to service review, which analyses services and processes from a customer perspective, removing any elements which do not add value to the customer. This capability is

being deployed in Environment Directorate and Parks as part of the Infrastructure redesign, and also in Children's Services from January 2015.

13. Responding to both the need to secure savings, and to the WAO comments regarding the effectiveness of property management, a new Property Strategy has been put in place. A key aspect of this is the rationalisation of office accommodation, relinquishing six properties in 2014-16 and relocating staff from these buildings mainly into either City Hall or County Hall. The properties being relinquished are Global link, Charles Street, Mynachdy Centre, Howardian Centre, St David's House and Marland House. The programme of office moves to allow these building to be released is on track to deliver a three year saving of c£1.7m

Improving Governance

14. In response to WAO comments on the Council's governance arrangements a specific work plan has been put into action. To date a member survey has been undertaken to identify training needs and a training programme is being implemented. Action has been taken to further develop the Council's scrutiny function with support from Centre for Public Scrutiny.

Customer Focus

15. With growing citizen demand for services, and reducing finance, it is crucial that demand is effectively managed, and that services are designed to respond to demand with maximum efficiency. To this end, work has been progressed in developing our ability to provide more services through the web, and provide Customer Relationship Management (CRM) capability to provide more efficient services to the public and to give a better customer experience. The full business case for phase 1 of CRM has been approved by the Council's Investment Review Board.
16. SharePoint, an Electronic Document and Records Management System (EDRMS) has been established as the default technology for document and records management, with an initial roll out of the technology underway.
17. Mobile and Scheduling technology, which facilitates more efficient delivery of services by employees who are not office based (e.g. housing repair teams) has been deployed in housing maintenance, with work underway to introduce it into parts of Health & Social Care

Emerging themes

18. The work undertaken to date has put in place a number of key "enablers" which need to be exploited to deliver longer term, sustainable benefits. The enablers range from improved performance management and service review capability to ICT solutions such as Mobile and Scheduling and CRM technologies. In order to maximise the impact on the Council's priority areas for improvement, the programme is now being reshaped to concentrate on a smaller number of services or functions. This would involve, for example, a priority "function" being reviewed across directorate boundaries to identify the key outcomes that the Council is seeking to secure, and then managing the deployment of efficiency enablers such as LEAN reviews, performance management, CRM, Document Management, mobile and scheduling, or

commissioning etc in a systematic way to remove duplication, and ensure a focus on achieving outcomes. This work is currently being developed across a number of functions in advance of a report to Cabinet in March 2015

Legal Implications

19. There are no direct legal implications arising from this report.

Financial Implications

20. There are no direct financial implications arising from this report.

RECOMMENDATION

21. The Committee notes the content of this report.

Martin Hamilton
Chief Officer – Change & Improvement

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THE CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AGENDA ITEM 6

POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE

6 January 2015

**CONTROL OF EMPLOYEE COSTS – DESK BASED SCRUTINY RESEARCH
REPORT, AND COMPARATIVE ADVICE FROM WELSH LOCAL
GOVERNMENT ASSOCIATION**

Reason for the Report

1. The Policy Review and Performance Scrutiny Committee has responsibility for scrutinising the overall Council budget from a corporate and strategic perspective. It also has responsibility for monitoring the effectiveness of the Council's systems of financial control, administration and human resources.
2. In anticipation of receiving detailed proposals for control of employee costs as part of the City of Cardiff Cabinet's budget proposals for 2015/16, this item will enable the Committee to understand how local authorities in Wales and in England are addressing this significant area of local authority spend. It is hoped that in so doing, Members will be equipped with knowledge to debate what might be considered to be appropriate priorities for Cardiff, and provided with comparative information to enable informed detailed scrutiny of budget proposals in February 2015.

Issues

3. The Budget Strategy for 2015/16, agreed on 17 July 2014, included planning assumptions relating to a review of employment costs to deliver savings of £5.75 million. This was also highlighted in the 2015/16 Budget Proposals for Consultation report to Cabinet on 20 November 2014. The Strategy also reiterated that this would include a further review of the Council's Voluntary Severance Scheme.

Scope of the Scrutiny

4. The Committee has commissioned information from two sources to inform their consideration at this meeting. One of these is a desk based research study from the Scrutiny Research Team (attached for Members' information at **Appendix A**), which analyses:
 - actions to reduce employee costs recommended by the Department for Communities and Local Government (DCLG), the Local Government Association (LGA) and the Audit Commission;
 - statistics demonstrating the popularity of certain approaches provided by the Chartered Institute of Personnel & Development (CIPD); and
 - (from published literature and a short e-mail survey) how the UK's other Core Cities have sought to control employee costs in 13 key areas.
5. The Committee has also invited Anna Freeman, Director of Employment at the Welsh Local Government Association, to attend Committee to advise on the challenges facing Welsh local authorities as they prepare to set their 2015/16 budgets, and how they are similarly addressing the area of controlling employee spend through the budget setting process.
6. The Cabinet Member for Corporate Services and Performance, Councillor Graham Hinchey, has been invited to attend the meeting to listen to the information presented, along with Christine Salter, Corporate Director Resources; and Philip Lenz, Chief Human Resources Officer.

Legal Implications

7. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council

must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

8. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

9. The Committee is recommended to:
 - i. Consider the information presented at the meeting; and;
 - ii. Report any comments, observations or recommendations to the Cabinet.

MARIE ROSENTHAL

County Clerk and Monitoring Officer

30 December 2014

s c r u t i n y



Scrutiny Research Team

Reducing Employee Costs: A Desk Based Review of Current and Best Practices

Research Report

December 2014



The City of Cardiff Council

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1. Introduction

The City of Cardiff Council's Scrutiny Research Team was commissioned by the Council's Policy Review and Performance Committee (PRAP) to identify the methods adopted by various Local Authorities (including Core Cities) in an attempt to reduce their employee cost.

The report is comprised of three sections.

The first section outlines some recommended actions to reduce employee costs from The Department for Communities and Local Government (DCLG), The Local Government Association (LGA), Audit Commission and some statistics demonstrating the popularity of certain approaches as provided by the Chartered Institute of Personnel & Development (CIPD).

The second section is a summary matrix of some of the approaches used or planned by the core cities in reducing employee cost. These include:

- Cuts to Hours
- Changes to Sickness Benefit/Management
- Withholding Pay Awards
- Removal of Honoraria/Acting up
- Pay Cuts
- Changes to Voluntary Severance
- Unpaid Leave
- Reviewing Pension Arrangements Senior
- Management Restructures
- Overtime/Agency Restrictions
- Expenses/Altering of Contract Terms
- Performance-related Pay/Removal of Increments
- Other Measures – Workforce Planning etc.

The majority of these headings were given to the research team when the work was commissioned, and a couple were added to reflect research findings that were applicable to the topic of reducing employee costs.

The third section provides more detailed information on the practices presented in section two of this report.

1.1. Research aim and objectives:

To identify examples of adopted or planned practice by various Local Authorities including the Core Cities to help manage their employee costs.

More specifically this research will:

- Provide background information on recommended practice for reducing employee cost from organisations such as The Department for Communities and Local Government (DCLG), The Local Government Association (LGA), Audit Commission and Chartered Institute of Personnel & Development (CIPD),
- Examine any relevant strategies, methods and approaches that were used utilised by various Local Authorities including Core Cities.

2. Methodology

The research initially involved contacting Core Cities to collect information on the approaches that they had adopted to cut employee costs over the past five years.

Given the limited timeframe for collecting this information, identifying and contacting the relevant source was problematic. In most cases, the response time offered by the respondent that would allow them to reply was not within the timescale of this report.

For this reason, the data collection relied heavily on a desk-based review of relevant literature from various local authority websites, reports from relevant professional bodies and other on-line documents that were publically available.

In the case of Liverpool, the deletion of posts and current overhaul of the Human Resources team prevented them from providing information in this timescale.

Bristol and Nottingham Councils did manage to respond to Cardiff Scrutiny Research's questions, and their responses have been enhanced below with references to published reports from those two authorities.

3. Recommended Practices

3.1. The Department for Communities and Local Government (DCLG) Recommendations

The DCLG issued in its publication '50 Ways To Save' a series of 'sensible savings in local government' in December 2012. The most relevant in terms of reducing employee costs are summarised below¹:

Clamp down on corporate charge cards: Introduce greater financial controls on corporate charge cards and credit cards. In DCLG, online transparency and tougher controls have helped cut expenditure on 'Government Procurement Cards' by over three-quarters, from £321,076 in 2009-10, to just £70,835 in 2011-12.12 DCLG cut the number of card holders, cancelled the cash withdrawal facility on the card (apart from business continuity users, in the case of a genuine emergency) and introduced new internal checks and audit trails.

Cancel away days in 'posh' hotels and 'glitzy' award ceremonies: Use a council-owned property to hold any away day. Or borrow a room from a neighbouring council at no cost, and offer a free room to them for their away day. Similarly, stop paying to attend glitzy 'award ceremonies' which are perceived as an excuse to make money from local government; councils spend an estimated £1.2 million a year on such ceremonies.

Cut senior pay: The local government Transparency Code opens up middle management and senior pay to greater public scrutiny, and the Localism Act allows Councillors via Full Council to set local 'pay policy statements' to get senior pay and perks (as well as pay offs) under control. Councils can lead from the top by having their Chief Executives take a pay cut. Ministers have taken a 5% pay cut and frozen their pay for five years. It was suggested that Chief Executives could therefore potentially do the same.

Share senior staff: Combine Chief Executives with other Councils or other public authorities. For example, Breckland and South Holland District Council share their management team, including Chief Executive, aiming to reduce senior management overheads by 35%.

Scrapping the Chief Executive post entirely: DCLG asserted that it was making it easier to abolish such posts without Councils having to fork out expensive 'golden goodbye' payoffs. For example, Leicester City Council believes it would save £175,000 per year from scrapping the post.

¹ For the full report see:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/39264/50_ways_2.pdf

Introduce a recruitment freeze: For example, Devon County Council's vacancy management strategy introduced a recruitment freeze, except for hard-to-fill vacancies. Of the 1,200 staff leaving the organisation in 2010-11, the Council replaced only 480 with new appointments. The savings from the strategy was estimated at £7 million by the end of 2011-12.

Freeze Councillor allowances and end Councillor pensions: The publication suggested that Councillors should be volunteers, not paid from the public purse. In Whitehall, even full-time Ministers have cut ministerial salaries and frozen them for the remainder of the Parliament.

Cut spending on consultants and agency staff: Councils spending on procured professional services (including consultants) increased by 50% to £4.5 billion from 2004-05 to 2009-10. Spending on agency workers increased by 46% to £900 million over the same period. By contrast, Lambeth Council reduced the number of agency workers it employed from over 900 in 2009 to under 300 in 2011, saving £18 million in the process.

End expensive 'leadership' courses: Councils could review spending money on sending staff and councillors to expensive "leadership" training courses, such as Common Purpose. Such training courses can often run into tens of thousands of pounds

Cut spending on 'head hunters' and expensive adverts: Publish job vacancy information online as open data instead. It can cost £5,000 to £10,000 to place an advert in some national outlets. This will not end advertising in the media; local newspapers in particular will remain an important source to advertise jobs to those who may be 'digital excluded' and not have access to the internet. But over time, putting job adverts online will drive down advertising costs, make it easier to compare pay ranges within and across Councils, and show local people where their council tax goes.

Review and reduce absenteeism: For example, Staffordshire Council reduced the cost of absenteeism by £100,000 a month by providing support for staff with musculoskeletal problems and introducing new absence reporting measures. By developing in-house computer software that brought patterns of absence to managers' attention, Fareham Borough Council reduced its average sickness rates from 10.6 days in 2003-04 to 7.2 days in 2010-11, saving 'lost days' worth £446,000.

Scrap trade union posts: It was suggested that local authorities could consider taking this step.

Stop providing free food and drink for meetings: DCLG has cut spending on refreshments for meetings from £456,142 in 2009-10 to £32,053 in 2011-12. Guidance to staff now states that refreshments may only be ordered for meetings with external attendees of longer than four hours. Staff should avoid arranging meetings over lunchtime where possible and attendees should normally be asked to bring their own refreshments where practical. Expensive meals on Government Procurement Cards have also been stopped. Also, **ban mineral water at Council meetings:** Tap water in refillable bottles costs nothing and is better for the

environment. Manchester Council reduced its £93,000 water bill by 90% in two years.

Reduce first class travel: Previously DCLG spent £200,000 a year on first class rail travel in 2009-10; under the new administration, such spending had been cut to just £17,500 a year in 2011-12.

Cut mileage payments: Councils paid out £427 million in mileage allowances in 2009-10. The HMRC Approved Mileage Allowance Payment is currently 45 pence per mile. Some Council employees are on terms and conditions where they can able to claim up to 25p per mile more than the prevailing HMRC rate.

Video conference instead of travel: South Tyneside Council is embracing the latest video conferencing technology to reduce travel costs. The equipment will also generate income for the Council who plan to make the service available to businesses and community groups at competitive rates.

Ask your staff for more sensible savings ideas: There is recognition that staff will be the most informed and actually the most enthusiastic about cutting waste. Give a prize for best staff ideas for efficiencies. Allow staff to submit anonymous ideas too. For example, at Surrey County Council, over 300 employee suggestions have saved approximately £500,000, including: reducing travel and meeting costs, for example using more teleconferencing; reducing print and postage costs, and reducing office equipment and stationery costs.

3.2. The Audit Commission and Local Government Association (LGA) Recommendations

In their 2011 publication “*Work In Progress*” – *Meeting Local Needs With Lower Workforce Costs*” the Audit Commission and Local Government Association jointly set out recommendations and case studies on this subject (available at the link below):² They are summarised as:

- Integrate workforce data across departments to improve the quality of corporate decision making about the workforce;
- Assess how to reward staff equitably for their performance and contribution to organisational objectives;
- Benchmark pay rates with public, private and voluntary organisations in similar labour markets, to understand how their own rates compare;
- Use a range of data, including the Commission's Value For Money (VFM) Profiles, to understand their relative spend on staff costs;
- Use a total rewards approach (pay, pensions, flexible working, and other benefits) to attract prospective, and keep existing, employees; and

² http://www.local.gov.uk/c/document_library/get_file?uuid=207697ef-b475-4d60-9f3a-780bf6799062&groupId=10180

- Reduce reliance on overtime and spot contracts by negotiating a more flexible approach to hours and pay.

Over the same period, Councils should also:

- Review the full range and scale of services they can offer alone and in partnership with others, including neighbouring authorities who provide similar services, withdrawing or sharing some services where necessary to protect others;
- Complete departmental and service reviews to assess how best to meet community needs with fewer resources;
- Use those reviews to decide on future workforce numbers, skills and configuration; and
- Review current organisational structures to create leaner, flatter structures with increased spans of management control.

3.2.1. Devon County Council: Vacancy Management Strategy

The Council's vacancy management strategy, which started in November 2009, introduced a recruitment freeze, except for hard-to-fill vacancies like those in children's social care.

The council has a consistent staff turnover of about 1200 a year (about 16 per cent of the total headcount excluding teachers), which means they have been able to reduce numbers without making large-scale redundancies. In 2010/22, of the 1200 staff leaving the organisation, the Council replaced only 480, with new appointments requiring approval by the Chief Executive.

The savings from the strategy's implementation will be about £7 million by the end of 2011/12. This represents 13 per cent of the total savings they need to find to fill a £54 million funding gap.

3.2.2. London Borough of Lambeth: reducing reliance on agency workers

In 2009, Lambeth Council decided to reduce the number of agency workers, which were about a quarter of the workforce, cost the council almost £50 million a year. The Council collected detailed and reliable data on numbers of agency workers, their service, and their cost. Over nine months, many agency workers assimilated to permanent contracts. Agency workers employed for more than 12 weeks are now treated to standardised day rates, saving £664,000. Internal procedures for appointing agency workers were tightened up. Any appointment for more than three months requires a rigorous business case and sign-off from senior management.

The number of agency workers reduced from over 900 in 2009 to under 300 in April 2011. This has saved the Council £18 million over this period.

3.2.3. Fareham Borough Council: reducing sickness absence

The Council reduced average sickness rates from 10.6 days in 2003/04 to 7.2 days in 2010/11- saving 'lost days' worth £446,000. Part of the solution was to develop in- house computer software that brought patterns of absence to managers' attention. It enabled early action to address problems and helped managers to identify staff who were persistently taking sick days. The system provides information about long- and short-term sickness absence, enabling analysis by grade and service.

3.2.4. Sunderland City Council: staff redeployment

An internal jobs market (IJM) helps the Council to fill new vacancies with existing staff- preventing redundancies and keeping local knowledge. The Council recruits to new positions using personality and aptitude tests, rather than just qualifications and knowledge.

People who are displaced after service reviews, and who aren't immediately given new roles through the IJM, are put into the Staff Working in Transition and Change (SWITCH) team. This pool of employees fills temporary vacancies, works on short-term projects supporting the many change initiatives taking place, and reduces the use of agency staff or external contractors. The SWITCH pool also covers sickness absence and maternity leave.

3.2.5. Cherwell District Council and South Northamptonshire Council: shared management team

The plan of Cherwell District Council and South Northamptonshire Council to merge management teams is the first step towards more sharing of services and staff, without losing their separate identities or threatening their sovereignty.

The Chief Executive was jointly appointed in May 2011, and the councils have now successfully merged senior management teams. Total management posts have reduced from 31 to 15. After the £1.3 million cost of merging the teams, it should save Cherwell £3.4 million and South Northamptonshire £1.8 million over five years.

The longer term plan is to review each service to find opportunities for sharing. Early scoping of savings from the fourth tier of management suggests savings of £1.1 million for South Northamptonshire and £2 million for Cherwell over five years.

3.2.6. Rhondda Cynon Taf

In November 2013 Rhondda Cynon Taf Council outlined five options³. They were:

- Option one includes reducing the number of hours for future full-time staff from 37 to 35 per week, changing temporary staff hours to 30 and giving current employees the chance to alter their hours.
- The second option encourages more over 55s to access a “Flexible Retirement Scheme”, giving them the chance to reduce their hours or be downgraded to lower-graded posts.
- In option three, the enhanced redundancy packages – designed to “soften the blow” of losing a job – would be less generous.
- And in option four, staff aged over 55 would be encouraged to apply for voluntary redundancy.
- Finally, employees would be encouraged to join an “early release” scheme, leaving with a severance payment.

3.3. The Chartered Institute of Personnel Development Statistics

As part of their research report, the CIPD identified the following uptake of labour cost savings from alternatives to redundancy⁴

Table 1: Employers’ use of main alternatives to redundancy, 2009

	50%
Recruitment freeze	
Terminated temporary contracts	44%
Flexible working	19%
Cutting bonuses	17%
Short-term working	15%
Cutting pay	7%

³ These proposals were not part of the LGA and Audit Commission recommendations but were taken from the news story found here: <http://www.walesonline.co.uk/news/local-news/staff-set-reduction-hours-part-6317158>

⁴ http://www.cipd.co.uk/NR/rdonlyres/A3435C16-6837-4DC9-85B1-0646F72310F3/0/impact_27_2of3.pdf

4. Matrix of Core Cities

Members will find on the following seven pages data from the UK's other nine Core Cities. The first three pages detail arrangements in seven key areas of expenditure, and the following four pages detail a further six areas of expenditure.

City	Cuts to Hours	Changes to Sickness Benefit/ Management	With holding Pay Awards	Removal of Honoraria/ Acting up	Pay Cuts	Changes to Voluntary Severance	Unpaid Leave
Birmingham	Library hours and events cut	Review and improve management	Working on the assumption of no award 2014-15				
Bristol		Introduction of pilot sickness album scheme Staff Health and Welfare Committee Evaluation of using private treatment to expedite returns to work		Honoraria abolished several years ago Acting up permitted but controlled by People Panel		'Flexible' retirement offered. VS continues to be an option	Employees can purchase 10 days per annum through a payroll deduction

Glasgow	Potential cut of public holidays	Councillor quoted at saying they will look at benefits and work patterns				Potential loss of time and a half for holidays	Phased early departure scheme	
Leeds	Reduced opening hours of sport centres and household waste sites Flexible working including compressed hours	Improving approaches to sickness. Utilising 'fit' notes instead of 'sick'					Attempts to maximise the uptake by the end of 2014	
Liverpool	Reducing working hours					Looking into driving down staff pay		
Manchester							Added incentives offered for those who leave to help the next budget	
Newcastle	Library, leisure and customer	New sickness absence communication				New Chief Executive		

Nottingham	service hours to reduce	strategy to help promote positive attendance culture			on reduced salary	There is no voluntary severance but redundancy pay has been reduced to the statutory formula	Employees can purchase annual leave
Sheffield						The preferred option with deleting vacant posts to meet necessary reductions	

(Table Continued)

City	Reviewing Pension Arrangements	Senior Management Restructures	Overtime/ Agency Restrictions	Expenses/ Altering of Contract Terms	Performance-related Pay/ Removal of Increments	Other Measures – Workforce Planning etc
Birmingham	Managing impact of change in arrangements	Reducing senior staff and streamlining to three directorates	No overtime for senior positions. ICT brought back in-house	Review of grading practices for equal-pay claims		Work on manager flexibility. Review of 'behind the scenes' function Transfer of some services to external provider Workforce plan Reduction of support to Chief Executive and Strategic Directors
Bristol	New pension regulations changing scheme	A council-wide review has been carried out	People Panel has restrictions in place	Interview expenses only offered to candidates with a disability		'New ways of working' scheme promoting flexibility and redeployment Considering non-pay related benefits to be competitive

Glasgow				Changes to workers' terms and conditions could save 5m over the next two years but no compulsory redundancies, with core pay and pensions untouched		Not filling vacancies. Reviewing training Better staff scheduling
Leeds	Change to members' pension scheme	Reducing management posts	Cutting ICT overtime	Changing terms and conditions to help avoid risk of redundancies including withdrawal of pay protection		Addressing contract management
Liverpool		Calls to reduce number of councillors and their expenses		Standardising pay structures Reviewing terms and conditions Standardised worker agreement, with pay, terms and conditions that are approved by the trade unions.		

Manchester								M people theme to help maximise efficiency of the workforce
Newcastle		Adopting new senior management arrangements to reduce number of senior managers	Attempting to remove or significantly reduce overtime wherever possible by shifting work patterns.	Reducing councillors' allowances and selling the Lord Mayor's coach and car.				Redeploying to avoid redundancies Reducing and revising support to councillors
Nottingham		The number of managers has been reduced	Reduction of spend on overtime and agency workers					
Sheffield								Fewer appointments of members to positions of Special Responsibility
							5-year pay-freeze from 2008 to 2013. No additional payments beyond those in contract. No performance-related pay due to robust	

5. Additional Core City Information

With the exception of the few examples specifically referred to below where data is more than two years old, the core city information gathered is less than two years old.

5.1. Birmingham

NB - Information on sickness absence is taken from Birmingham City Council Overview and Scrutiny 'Sickness Absence' published in April 2011

Cuts to Hours

- Library of Birmingham to cut hours from 73 to 40, 100 jobs to go. Extra services and events which do not pay for themselves to be stopped.

Changes to Sickness Benefit/Management

- A review has highlighted some of the areas which could be further enhanced to move towards a sustained reduction in sickness absence. Ensuring that managers are well equipped to tackle sickness through the tools and guidance which is provided to them is most important. The Committee would like to see strengthened support provided to those who are working more closely to the front line, through better communication channels. Alongside this there should be a greater onus on the employee in managing their own reduction in sickness.

To assist managers in monitoring their own services' sickness rates, more analysis can usefully be undertaken of current sickness figures, taking advantage of the reporting power which the new People Solutions system provides.

The Council should clearly demonstrate the limits of tolerance with regards to sickness and focus on a strong evidence base for interventions, then hopefully the organisation through greater understanding and support of its employees will be able to sustain a more significant reduction in sickness absence over time.

Withholding Pay Awards

- There is an assumption that there will not be any pay award for staff in 2014-15, and removing the corporate provision in that year for the general effects of inflation. Should there be a pay award and, in any case, in order to fund general inflationary increases in costs, these will need to be funded through a combination of increased income and further efficiency savings within each service.

Reviewing Pension Arrangements

- Managing the impact of changes in pension arrangements - Increasing contributions to address the pension fund deficit over the long term have been built into financial plans but there may be a requirement for increased contributions from 2017/18.

Senior Management Restructures

- During 2014-15 the council will also be creating our new streamlined structure of just three directorates – Economy, People and Place.
- Birmingham will develop a flexible workforce with talented generic managers that can quickly move around the organisation to respond to priorities.
- Cross Division reduction in senior staff.

Overtime/Agency Restrictions

- Those employees working in senior positions do not receive overtime payment and all other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.
- More than £20 million a year is being slashed from the taxpayer's bill for Service Birmingham amid a series of changes that will see 500 jobs brought back in-house.

Birmingham City Council has negotiated more than £150 million off the cost of the controversial outsourcing contract, to carry out ICT and project work, across the remaining seven years.

Among a host of changes announced by the authority this morning will see its call centre brought back in house by the end of the year, with 500 employees transferring to council employment.

Expenses/Altering of Contract Terms

- Pay and grading practices with potential equal pay implications are being addressed. On-going equal pay claims against the council are being managed.
- The Council is pursuing a range of options to generate the necessary level of resources to fund Equal Pay settlements.

Other Measures – Workforce Planning etc

- Generic manager skills are being recognised for improved flexibility to move employees around the council to meet service needs.
- The Support Service Review 2013 looked at the 'behind the scenes' council functions including research, analysis, information and data, policy and strategy, performance management, commissioning and contract management, public engagement and consultation, marketing and communications, complaints, member services and project management.
- The transfer of some services to Acivico (a wholly owned external company created by the council) such as civic catering, building cleaning and services management.
- The creation of a Professional Support Services function to coordinate administrative support across the council.
- In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.
- Implementation of reduction in support to Chief Executive and Strategic Directors which have also already been planned

5.2. Bristol

Cuts to Hours

- No plans – unlikely.

Changes to Sickness Benefit/Management

- Highly unlikely to remove sickness benefit.
- Introducing a pilot sickness absence (telephone line) scheme with an external health care provider (+ 25% reduction in sickness absence for targeted work groups).
- The Staff Health and Welfare Select Committee was established in June 2005. The key question the Select Committee sought to address was what measures the council can put in place to effectively promote staff health and welfare thus reducing sickness absence and ill health retirements, increasing staff satisfaction and improving productivity and services.

The key messages of the Committee cover the following areas:

- Managers need to take a proactive approach to promoting well-being and managing absence
 - Existing policies and procedures should be used effectively
 - Current health promotion activities should be evaluated to ensure that resources are best focussed for maximum effect
 - An employer funded Employee Assistance Package should be evaluated to assess potential benefits and value for money
- There should be an evaluation of the benefits of using private medical treatment in enabling employees to return to work (e.g. physiotherapy, MRI cans for muscular/skeletal problems).

Withholding Pay Awards

- Highly unlikely.

Removal of Honoraria/Acting up

- Honoraria was abolished years ago; acting-up arrangements permitted in relation to established posts; People Panel (board of top managers that meets weekly) approves any proposals to recruit to anything other than like-for-like arrangements).

Pay Cuts

- Highly unlikely.

Changes to Voluntary Severance

- Likely to continue to be offered as part of service re-design work.
- “Flexible retirement”, in accordance with provisions contained within the LGPS regulations (over 70 approvals to date).

Unpaid Leave

- Employees can purchase up to 74 hours/10 days (pro rata for part-time staff) per annum through a monthly payroll deduction; c£450k in salary savings (plus on-costs) realised in 2014/15.

Reviewing Pension Arrangements

- Spending plans adjusted to reflect the level of pension contribution required as identified by the Avon Pension Fund’s Actuary in 2013 for the next three years.
- New pension regulations changing scheme benefits to be implemented from 2014.

Senior Management Restructures

- A council-wide management review (Tiers 1 - 3) has been carried out, which has resulted in an overall reduction in the number of posts. There are no plans to repeat any time soon.
- All posts at first and second tier Director level are subject to a pay related annual appraisal scheme.

Overtime/Agency Restrictions

- Restrictions already in place; People Panel approves (or not).
- Vacancy Management controls based around the recruitment of permanent, temporary and agency staff.

Expenses/Altering of Contract Terms

- Interview expenses can only be claimed by candidates who have declared themselves as having a disability on their application form. Eligible candidates will need to complete an interview expenses form and provide receipts. No plans to rescind relocation expenses at this time.

Performance-related Pay/Removal of Increments

- No plans; unlikely.

Other Measures – Workforce Planning etc

- “New Ways of Working” incorporating home and remote working, flexible working, hot desking etc.
- Implementing approved redeployment arrangements (through a “New Opportunities Programme”) which has reduced the incidence of redundancy, and associated costs.
- Considering the implementation of market competitive non-pay related benefits.

5.3. Glasgow

NB – Some Information below is taken from news items published on 12th April 2011 and 27th November 2011

Cuts to Hours

- Council workers face cut in public holidays. The council is looking to make savings without resorting to compulsory redundancies and may look at insisting staff work certain public holidays and lose time-and-a-half payment for them as at present⁵.

Changes to Sickness Benefit/Management

- “By taking a hard look at our holiday and sick pay entitlement, as well as whether we can offer greater flexibility in working patterns, I am confident we can make those savings without compulsory redundancies. “However, in order to do that, the trade unions will need to carefully consider their response to the proposals and understand that there is no easy alternative⁶.”

Changes to Voluntary Severance

- In Glasgow City Council, departure dates were set by individual heads of service and spread over a three-year period. Glasgow City Council ran an early departure scheme in 2010 targeted at all staff over the age of 50. The scheme excluded staff working in business-critical posts in education and social work services. A total of 2,607 individuals applied and all were accepted for departure

Expenses/Altering of Contract Terms

- Glasgow City Council has said changes to workers’ terms and conditions would save it £5m over the next two years but has said it would stick to its position of no compulsory redundancies, with core pay and pensions untouched.⁷

Other Measures – Workforce Planning etc

- Glasgow Community and Safety Services (GCSS) Current Vacancies Not Filled - Non filling of vacancies arising in current year, full year impact in 2013/14.
- GCSS Assumed Vacancies Not Filled - Assumed staff turnover vacancies.
- GCSS Service Budget Reductions -Resources reviewed including training and ancillary supplies.
- Glasgow City Marketing Bureau Review of Staffing Structure - Job descriptions to be reviewed and key responsibilities reallocated to remaining employees

⁵ <http://www.heraldscotland.com/news/home-news/council-workers-face-cut-in-public-holidays.13275086>

⁶ councillor Paul Rooney quoted in the same article

⁷ Ibid

- Glasgow Life Workforce Planning Strategy – Strategy to more closely align workforce with service using better staff scheduling.
- In some teams within the department, applications for early departure were equivalent to 40 per cent of the team workforce. Following a detailed review to determine what investment was needed to maintain services and flexibility, the department identified that it would bring in 452 staff. This was achieved by recruiting staff and redeploying them from elsewhere in the council.

5.4. Leeds

NB – Information on attendance management and employee sickness is taken from two reports published in 2011.

Cuts to Hours

- Reduced opening hours of facilities e.g. sports centres, household waste sites.
- The Council offers various flexible working schemes ranging from standard flexi time working to annualised hours and compressed hours. This clearly helps staff find the right work/life balance and reduces the need for people to take sick days for domestic purposes.

Changes to Sickness Benefit/Management

- Improving sickness management and supporting people back to work.
- The council are satisfied that the authority has robust sickness management procedures and management frameworks in place. These have significantly improved over the past few years and are clearly supported by the Trade Unions.
- Both HR Officers and the Trade Unions report that the application of the procedures across the authority is inconsistent. There has therefore been the concept and roll out of the Enabling Managers Project to bring consistency in the application of procedures.
- The council strongly supports the concept of “fit notes”. That is, understanding what duties a person *can* undertake rather than not.

Changes to Voluntary Severance

- The Council has operated a voluntary retirement and severance scheme since 2010/11 which has contributed to a reduction in the workforce of 1,900 FTEs at the 31st March 2014. The Early Leavers scheme, covering the period up to and including March 2016 is continuing and in the current year all services

have been requested to maximise the number of staff who can leave under the scheme by 31st December 2014.

- Savings on staffing will be realised through both the deletion of vacant posts and through staff across all services in the Directorate exiting the Authority through the Early Leaver's Initiative. In addition further savings will be realised through a reduction in the number of JNC posts.

Reviewing Pension Arrangements

- Within Democratic Services proposals are being developed to reduce the cost of the Council's Scrutiny arrangements and the cost of Members Support. In addition, the budget reflects the impact of the recent change to the Members' pension scheme.

Senior Management Restructures

- Working more closely both within and across directorates and will result in a significant reduction in staffing including reducing the number of senior management posts.
- Further reduction in JNC management posts.

Overtime/Agency Restrictions

- Through cutting overtime - ICT will do more changes in working hours and will reduce maintenance contracts to provide less cover. This could result in longer downtime if there are any failures.

Expenses/Altering of Contract Terms

- Proposed savings from changes to employees' terms and conditions which will help reduce the risk of compulsory redundancies as the Council continues to tackle budget cuts and meet increased demand for some services. These changes include the withdrawal of pay protections and changes to travel arrangements.
- To deliver the changes, the structure of the HR service and the way it works is changing, with increased functions being managed from within the HR Centre. Local HR teams will combine for further efficiencies to be realised, and grade structures will be standardised across all local teams.

Other Measures – Workforce Planning etc

- Significant savings can be achieved through improved contract management arrangements which includes reviewing payments made under existing contracts, contract renegotiation and reducing areas of off contract spend.

5.5. Liverpool

Cuts to Hours

- Feedback from consultation exercises in broad measure reflects some of the actions being taken including driving down staff working hours.

Pay Cuts

- Feedback from consultation exercises in broad measure reflects some of the actions being taken including driving down staff pay.

Senior Management Restructures

- Feedback from consultation exercises in broad measure reflects some of the actions being taken including reducing the number of councillors and their expenses.

Expenses/Altering of Contract Terms

- Feedback from consultation exercises in broad measure reflects some of the actions being taken including driving down staff terms and conditions.
- Liverpool city council uses a type of zero hours contract, called a standardised worker agreement, with pay, terms and conditions that are approved by the trade unions. This is used to employ 442 people only in those areas where it is acceptable to both the organisation and the employees and where set working hours are not appropriate, such as sessional working and special events, including bar and catering staff, stewards and technical staff.

The council has a strict policy that prohibits the use of such contracts as a substitute for full-time employment and is committed to not using such contracts to the detriment of its employees.

5.6. Manchester

Changes to Voluntary Severance

- Consideration will be given to the benefit of offering an incentivised opportunity for voluntary early retirement and voluntary severance to staff to meet the specific circumstances faced.
- In line with changes in Pensions Regulations, the Efficiency Early Release Scheme, approved by Personnel Committee in October of this year, replaces

the former Voluntary Severance Scheme (VSS) comprising Voluntary Early Retirement (VER) and Voluntary Severance (VS).

- Policy Statement to be amended by increasing the maximum discretionary lump sum payment from a maximum of 30 weeks pay to a maximum of 36 weeks pay for individuals leaving the organisation in support of the delivery of the 2015/17 budget.
- To agree that the authority should develop a Mutually Agreed Resignation Scheme (MARS) to allow those staff who transferred to the Council as part of the Public Health transfer in April 2013 to apply to leave the authority through severance arrangements broadly aligned to those proposed within this report.
- The Council's non re-engagement policy as amended in June 2011 will continue to apply. This current draft includes proposals to require high earners who return to the same part of the public sector within 12 months to repay payments made on voluntary departure.
- It is proposed to amend the Council's policy on discretionary payments to increase the maximum amount payable to 36 weeks' actual pay based on three weeks pay per year of service up to 12 years. This will incentivise staff under the age of 55 years to consider the option of Severance, and is likely to provide a wider age spread of staff taking up the offer. As severance costs are generally less expensive than release of pension with associated costs, a higher proportion of Voluntary Severance will reduce the Council's financial liabilities.
- Rather than continuing current working arrangements, an employee, who meets the relevant criteria can, from age 55, request to either:
 - reduce their hours; and/or
 - move to a lower grade
 - use a combination of reduction in hours and grade and draw their pension benefits whilst continuing in employment and, if they wish, build up further benefits in the LGPS.

Other Measures – Workforce Planning etc

- ***m people*** was developed in 2009 to support the delivery of the Council's transformation programme through developing a highly skilled and flexible workforce. The focus for the development of ***m people*** was focusing on the existing workforce, to ensure the right people with the right skills and attitude were in the right roles to meet organisational need.

5.7. Newcastle

NB – Some information on sickness absence is taken from a report covering the years 2002-2004.

Cuts to Hours

- Review Library, Leisure and Customer Service opening and contact hours to make sure there is an efficient and effective service to customers.

Changes to Sickness Benefit/Management

- Organisational Development Division to formulate a sickness absence communication strategy of key corporate messages to communicate to new and existing employees to further promote a positive attendance culture.

Pay Cuts

- A new Chief Executive has been appointed on a reduced salary.

Senior Management Restructures

- The council will adopt new senior management arrangements, which will reduce the number of the most senior managers and which will also be reflected in a new organisation structure for the council.
- Review the organisation of the new customer facing service to make sure it has an effective, lean and integrated middle / specialist management structure.

Overtime/Agency Restrictions

- Seeking to remove or significantly reduce overtime wherever possible by changing working patterns and through better management of peak workloads.

Expenses/Altering of Contract Terms

- Reduction of councillors' allowance and there will also be one-off capital receipts including the sale of the Lord Mayor's coach and car.

Other Measures – Workforce Planning etc

- There is a successful track record of avoiding compulsory redundancies and redeploying staff.
- Reduce and revise support to councillors from an individual officer to the service as a whole, reduce ward budgets and ward committees will be held less often and in ways that encourages more involvement from residents.

5.8. Nottingham

Cuts to Hours

- None planned

Changes to Sickness Benefit/Management

- None planned

Withholding Pay Awards

- Not planned

Removal of Honoraria/Acting up

- None planned

Changes to Voluntary Severance

There is no voluntary severance but redundancy pay has been reduced to the statutory formula

Unpaid Leave

- Employees can purchase annual leave

Senior Management Restructures

- The number of managers has been reduced.

Overtime/Agency Restrictions

- Spend on overtime and agency workers has been reduced.

Expenses/ Altering of Contract Terms

- Not planned

Pay Cuts

- Not planned

5.9. Sheffield

Changes to Voluntary Severance

- Necessary reductions will be managed in the first instance through deleting vacant posts, voluntary early retirement (VER) and voluntary severance (VS) schemes where appropriate and then through the Council's Managing Employee Reductions (MER) procedure to achieve the balance of reductions and redesign services.

Performance-related Pay/Removal of Increments

- The authority will not make additional payments beyond those specified in the contract of employment unless varied by the appropriate authority decision making process.
- The authority does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.
- Council leaders proposed the end of a three year pay freeze which has saved the council around £5million per year in November 2013.

Other Measures – Workforce Planning etc

- Revisions made to the structure of the Scheme, when allied to fewer appointments of Members to positions of Special Responsibility in 2013/14, resulted in financial savings being achieved of approximately £96k over a full year.

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THE CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AGENDA ITEM 7

POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE

6 January 2015

REVIEW OF VOLUNTARY SEVERANCE SCHEME

Reason for the Report

1. To give the Committee the opportunity to provide comments to the Cabinet in relation to issues concerning the Council's Voluntary Severance Scheme, as proposals for the 2015/16 Budget are developed.

Background

2. The Policy Review and Performance Scrutiny Committee has responsibility for scrutinising the overall Council budget from a corporate and strategic perspective. It also has responsibility for monitoring the effectiveness of the Council's systems of financial control, administration and human resources.
3. The ability of the Council to meet the costs of voluntary severance has consistently been raised as a risk to the Council as it reshapes itself in line with available resources in times of continuing financial austerity. This however needs to be balanced with having a scheme in place which is sufficiently attractive to prompt volunteers to come forward. As part of the 2014/15 Budget, the Council agreed to implement a Workforce Agreement from 1 August 2014 to 31 March 2015, which included a reduction of the working week from 37 to 36 hours (pro rata for part time employees) or an equivalent pay reduction for staff groups where working hours are not specified. As part of this agreement, amongst other commitments made by the Council, it was decided to protect the terms of the Council's current Voluntary Severance Scheme until 31 March 2015, but that a review of the Scheme should be undertaken. From 1 September 2014, the Council's Scheme also now applies to Teachers. A copy of the Council's current

Voluntary Early Retirement/ Flexible Retirement and Voluntary Redundancy Policy and Procedure is attached at **Appendix A**.

Issues

4. Attached at **Appendix B**, Members will find a briefing note from the Chief Human Resources Officer setting out a number of issues upon which the Committee's comments are invited.

Scope of the Scrutiny

5. The Committee is invited to provide comment on the issues raised in the attached briefing note as the officers and the Cabinet review the Council's current Voluntary Severance arrangements.

Way Forward

6. The Cabinet Member for Corporate Services and Performance, Councillor Graham Hinchey, has been invited to attend the meeting to answer Members' questions. Christine Salter, Corporate Director Resources; and Philip Lenz, Chief Human Resources Officer, will also be in attendance.

Legal Implications

7. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken

having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

8. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

9. The Committee is recommended to:
 - i. Consider the information presented at the meeting; and
 - ii. Report any comments, observations or recommendations to the Cabinet.

MARIE ROSENTHAL

County Clerk and Monitoring Officer

30 December 2014

Background papers:

Workforce Agreement 2014/15, Cabinet report 16 January 2014

Budget Strategy 2015/16 and the Medium Term, Cabinet report 17 July 2014

2015/16 Budget Proposals for Consultation, Cabinet report 20 November 2014



**APPLICABLE FROM 12 JUNE 2014
CARDIFF COUNCIL**

**VOLUNTARY EARLY RETIREMENT/ FLEXIBLE RETIREMENT
AND VOLUNTARY REDUNDANCY POLICY AND PROCEDURE**

DATE DOCUMENT PUBLISHED	June 2014
APPROVED BY	Cabinet
APPROVAL DATE	June 2014
DOCUMENT OWNER	Employee Relations Team
DATE FOR REVIEW	By April 2015

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Appendix C	Guidance on flexible retirement	

SECTION 1 - INTRODUCTION, ROLES and RESPONSIBILITIES

INTRODUCTION

- 1.1 The Council recognises that from time to time there will be a requirement to reduce employee numbers, for example due to budget demands or as part of the Transformation agenda. However rather than achieve such reductions through compulsory redundancy, the Council wishes to support existing employees and therefore where possible will seek to obtain volunteers for early retirement and/ or redundancy and/ or flexilbe retirement.
- 1.2 In addition there are occasions where employees may wish to retire earlier than the normal retirement age for personal reasons or to take advantage of the flexible retirement provisions, and therefore there needs to be a procedure for them to apply to do this. However it is important to note that there is no right to early retirement and any such applications will be subject to meeting the business needs of the Council/ school or in exceptional circumstances to the individual merits of the case. (e.g. compassionate grounds)

ROLES AND RESPONSIBILITIES

- 1.3 It is important that everyone clearly understands their roles and responsibilities within this process.

Employee Responsibilities:

- 1.4 All employees are responsible to:
- Complete the relevant paperwork as detailed in this document.
 - Co-operate with management in the effective implementation and monitoring of the policy.

Manager Responsibilities:

- 1.5 In addition to their responsibilities as employees, managers are also responsible to:
- Operate the policy fairly and reasonably with no detrimental effect on overall efficiency or service.
 - Communicate to the employee the progress of their application.

Chief HR People Services and Chief Finance Officer Responsibilities:

- 1.6 Consider applications fairly and reasonably and as consistently as possible.

HR People Services responsibilities:

- 1.7 Where applicable, obtain pension quotes for employees.
- 1.8 Provide advice and support to managers on the policy and procedure.
- 1.9 Confirm arrangements in writing and notify the LGPS team or Teachers' Pensions.

Payroll responsibilities:

- 1.10 Make the necessary amendments to employee's pay (where applicable).

Local Government Pension Team

- 1.11 Carry out the necessary administration for employees to access their pension.

SECTION 2 - POLICY

PURPOSE OF POLICY

- 2.1 The purpose of this document is to outline the Policy and Procedure on Voluntary Early Retirement, Flexible Retirement and Voluntary Redundancy.

WHO IS COVERED?

- 2.2 The policy applies to all eligible employees of the Council. However, schools have a separate Redeployment and Redundancy Policy and so only the Flexible Retirement part of this policy applies.

School based employees do have their redundancy entitlement calculated using the agreed Redundancy Pay Table Calculator (this includes teachers 1st September 2014).

- 2.3 The scheme does not apply to fixed term/ temporary employees on the normal expiration of their contract, but where these employees achieve 2 years or more service, they will be eligible for statutory redundancy payments only. The objective justification for the different treatment of employees on fixed term/ temporary contracts is that the enhanced compensation scheme is intended to compensate employees for the unexpected loss of their jobs, and to encourage permanent employees to volunteer for redundancy in order to avoid compulsory redundancies. However employees on fixed term/ temporary contracts are aware that their employment is time limited from the outset and will have no reasonable expectation of renewal. Therefore to pay such employees enhanced redundancy payments could be considered an inappropriate use of public funds.

The policy applies in any of the following circumstances:

- a. employment is terminated by reason of redundancy
- b. employment is terminated in the interests of the efficient exercise of the employing authority's functions
- c. employment is terminated by mutual agreement, but there is not a case for redundancy or "interests of the efficiency" retirement, herewith referred to as an "employers consent" retirement.
- d. flexible retirement is agreed

KEY PRINCIPLES

- 2.4 Although employees may apply for voluntary early retirement, flexible retirement or redundancy, approval of any applications will be at the sole discretion of the Council in accordance with the provisions of this scheme.

- 2.5 Through the operation of the scheme, it is anticipated that any need for compulsory redundancy arising from organisational change can be minimised, and any changes identified as necessary to achieve the policy and service delivery objectives can be achieved effectively and without disruption to service delivery. However where there is a requirement to make compulsory redundancies the terms of this scheme will, normally apply, subject to the discretion of the Council.
- 2.6 Decisions on eligibility for voluntary redundancy and for access to associated redundancy payments and/ or retirement benefits or flexible retirement have to be based on criteria which properly reflect the interests of the Council, balanced against the interests of employees who may wish to leave. Criteria for considering and making decisions on applications for voluntary redundancy must take account of the needs of the Council/ school to ensure that appropriate skills and management experience is retained to ensure continued service delivery both immediately and in the future.
- 2.7 Any costs resulting from voluntary early retirement and/ or voluntary redundancy or flexible retirement must be met by the Service Area (for schools the cost is met from the redundancy budget which is held centrally).
- 2.8 Under this Scheme, employment is ending by mutual agreement on a mutually agreed date and therefore there will be no entitlement to notice or payment in lieu of notice. Also where appropriate, as a condition of the retirement/ redundancy, employees may be required to sign a Settlement Agreement.
- 2.9 Trade Unions should be fully consulted on any proposal to reduce staff numbers.

DEFINITIONS/ TYPES OF APPLICATIONS

Redundancy/ “Interests of the Efficiency” – Corporate Employees

- 2.10 Employees whose employment is terminated on these grounds will be entitled to an enhanced compensation payment and provided they meet the requirements indicated below, immediate access to pension benefits.
- 2.11 To be eligible to receive a pension employees must be members of the Local Government Pension, have sufficient service, and under current regulations be aged 55 or more.
- 2.12 The pension payable will be the accrued pension benefits attained at the time of termination. There will be no abatements applied to the pension benefits.
- 2.13 The enhanced compensation payment will be based on the number of weeks pay indicated in the attached compensation table (Appendix B). A

weeks pay will be based on actual contractual pay up to the statutory maximum (this was set at £464 per week as at 6/4/2014 but is subject to review annually). To calculate an employee's service the Council use the following definition: current continuous service with the Council plus any relevant previous continuous service with a body on the Modification Order or any other service transferred in under a Statutory Transfer Order or the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

Employer's Consent Retirement – Corporate Employees

- 2.14 "Employers Consent" will apply where there is not a business reason for the retirement but the employee wishes to retire for personal reasons.
- 2.15 Under Employer's Consent retirement there is no entitlement to an enhanced redundancy compensation payment or statutory redundancy payment.
- 2.16 Furthermore as the employee is receiving their pension early it is likely to be subject to a reduction. The amount of reduction will depend on age and service and further details will be given with pension estimates. Under the regulations the Council has the discretion to waive such reductions but should only do so in exceptional circumstances. (e.g. on compassionate grounds)
- 2.17 Although in some cases employers consent retirement will be cost neutral, where the rule of 85 is met before the age of 60, or where it is agreed to waive the pension reduction, there will be a cost to the pension fund which will have to be met by the directorate (for schools the cost is met from the redundancy budget which is held centrally). In such cases the directorate would have to make a payment to the Pension Fund for those in the Local Government Pension Scheme to cover the additional costs. For those in the Teachers' Pensions Scheme the Education and Lifelong Learning directorate will be responsible for paying the employer's contribution to the lump sum as a one off cost and then paying the employer's contribution to the annual pension on an ongoing basis.

Flexible Retirement – All Employees, including teachers

- 2.18 Flexible Retirement is a provision contained in the Local Government Pension Scheme that allows employees who meet the age requirements, and have had a reduction in hours or grade, to draw their accrued pension benefits whilst remaining employed by the Council.
- 2.19 Only those employees who satisfy the following conditions may apply for flexible retirement
- (a) Members of the LGPS must be aged 55 or more. There must also be a permanent reduction in hours and or grade of at least 25%

- (b) Under the provisions of the Teachers' Pension Scheme this is referred to as 'Phased Retirement'. Members of the scheme must be aged 55 or more and have their pensionable salary reduced by at least 20% of the average salary received in the previous 6 months. The reduction in salary has to be for a minimum of 12 months.

Where appropriate employees must give an undertaking that if their application is approved they will continue to work for the Council for an agreed length of time

SECTION 3 – PROCEDURE

Individual Requests for Voluntary Early Retirement or Voluntary Redundancy – Corporate Employees

- 3.1 Employees wishing to apply for voluntary early retirement and/ or redundancy should initially discuss the issue with their Operational Manager to ascertain whether there is any possibility of such a request being approved.
- 3.2 If a manager feels that there is a possibility that a request may be approved then they should request a pension estimate from the Pensions Section via HR People Services for those employees in the LGPS and advise the employee to complete the appropriate application form (CIS ref 4.C.182) and submit it to their Chief Officer/ Director/ Assistant Director.
- 3.3 The Chief Officer/ Director/ Assistant Director will arrange a meeting with the employee to discuss the application.
- 3.4 If the Chief Officer/ Director/ Assistant Director decides not to support the application they will write to the employee within 14 calendar days of the meeting advising that the request is not approved giving the reasons for refusal.
- 3.5 If the Chief Officer/ Director/ Assistant Director wishes to approve the retirement then they should complete the remainder of the application form with details of the type of termination, (i.e. redundancy/ Interests of efficiency, employers consent), the case for supporting it and the costs/ savings resulting from it. The completed form should then be passed to the HR People Services who has the delegated authority, in consultation with the Corporate Director Resources (Section 151 Officer), to determine such applications.
- 3.6 The Chief HR People Services Officer and Corporate Director Resources (Section 151 Officer) will consider the business case and advise the Chief Officer/ Director/ Assistant Director whether the application is approved or not.
- 3.7 The Chief HR People Services Officer will advise the employee of the result of the application, and where the request has been approved arrangements for the retirement/ redundancy will be processed accordingly.

Service Area Initiatives – Corporate Employees

- 3.8 Where there is a requirement to offer voluntary retirement/ redundancy to reduce employee numbers in a Service Area then the Chief Officer /

Director/ Assistant Director will write to employees in the appropriate pool seeking expressions of interest.

- 3.9 The Chief Officer/ Director/ Assistant Director will request pension estimates via HR People Services and consider any expressions of interest received based on the business case and advise those whose retirements are likely to be supported to complete an application form as indicated in 3.2 above. The procedure will then follow the individual application procedure.
- 3.10 Where a number of applications in directorates are being supported the Chief Officer/ Director/ Assistant Director should also complete form 4.C.238, with details of the proposed retirements and other restructuring proposals. This should be submitted to the Chief HR People Services Officer.
- 3.11 Where the requirement for Voluntary Severance/ Redundancy is to be co-ordinated across the Council, the process will be managed by HR People Services.

As per paragraph 2.2, schools have a separate Redeployment and Redundancy Policy and so voluntary redundancy and early retirement requests from school based employees will be subject to that policy.

Requests for Flexible Retirement – All employees

- 3.12 Employees wishing to apply for flexible retirement must complete the appropriate application form (4.C.415) and submit it to their Chief Officer/ Director/ Assistant Director/ Headteacher at least 12 weeks before the proposed retirement date (with the exception of teachers who are required to give notice as per their national terms and conditions).
- 3.13 The Chief Officer/ Director/ Assistant Director/ Headteacher will arrange a meeting with the employee within 28 calendar days of the receipt of the request, to discuss the application. The employee has the right to be accompanied at this meeting by either a trade union representative or a work colleague. HR People Services will provide advice and guidance where requested.
- 3.14 If the Chief Officer/ Director/ Assistant Director/ Headteacher decides not to support the application they will write to the employee within 14 calendar days of the meeting advising that the request is not approved giving the reasons for refusal.
- 3.15 If the Chief Officer/ Director/ Assistant Director/ Headteacher wishes to approve the flexible retirement then they must prepare a business case in support of the application which should include the following factors :
- Service delivery Implications
 - Cost implications.

- Benefits to the Council/ school
- Recruitment/ Retention issues
- The merits of the employee's request.
- Where appropriate, the case for waiving any pension reduction.
- Proposed minimum length of employment

3.16 The business case must be submitted to the Chief HR People Services Officer and to the Chief Financial Officer for approval. The Chief HR People Services Officer and the Chief Financial Officer will consider the business case and advise the relevant Chief Officer/ Director/ Assistant Director/ Headteacher whether it is approved or not.

The Chief HR People Services Officer will advise the employee of the result of the application and where the request has been approved arrangements for the retirement and variation of contract will be processed accordingly.

SECTION 4 – RELATED DOCUMENTS

Voluntary Severance Business Case Forms:

- 4.C.182 for corporate employees
- 4.C.182-Sch for school employees

Restructuring Proposals Under Delegated Powers Form 4.C.238

Flexible Retirement Application Form 4.C.415

Local Government Pension Scheme Discretionary Regulations

A schedule containing the Policies that have been adopted by the Council in relation to its discretionary powers with regard to voluntary retirement and redundancy under the Local Government Pension Regulations is attached as Appendix A.

LOCAL GOVERNMENT PENSION SCHEME REVIEW OF DISCRETIONARY POWERS UNDER THE PROVISIONS OF THE LGPS REGULATIONS 2014

Discretion	Existing Policy/ Practice	Recommendation/ Comments
<p>1. Leave of Absence without Pay. - Where an employee has a period of absence on reduced or no pay they may pay standard contributions on the pay that would have been received provided they apply within 30 days of returning to work or the date that employment ceases. The employer has the discretion to increase this application period.</p>	<p>The application period for employees to request that they should be allowed to pay standard contributions for breaks is 3 months.</p>	<p>This discretion should be deleted as it is no longer applicable in the new regulations</p>
<p>2. On Request Retirement – With effect from 1 April 2010 any employee aged 55 or over, with 3 months or more pensionable membership may request retirement. Where the member is under 60 it is at the employers discretion whether to approve the request or not. Pensions paid under these circumstances may be subject to a reduction depending on the total pensionable membership accrued. The employer may waive the reduction on compassionate grounds.</p>	<p>Covered in the separate Voluntary Early Retirement and Redundancy Policy and Procedure.</p>	<p>No Change To Existing Policy. However, the policy is to be merged into a Voluntary Redundancy, Early Retirement and Flexible Retirement Policy.</p>
<p>3. Additional Pension – Employers have the discretion to award extra periods of LGPS membership up to a maximum of</p>	<p>The Council does not augment service or grant additional pension.</p>	<p>The ability to augment is no longer within the Regulations but It is recommended that the existing policy</p>

<p>10 years. This can be applied at any time during the employee's pensionable membership, or in cases of redundancy up to 6 months after the date of termination. If a decision is made to augment service a payment calculated in line with guidance from the Government Actuary's Department must be paid to the fund to purchase within three months of the date of resolution. Since 2008 employers have also been able to grant additional pension of up to £5,000 and this has now been increased to £6,500.</p>		<p>on granting additional pension should be retained.</p>
<p>4. Shared Cost Additional Voluntary Contribution Schemes – Under this discretion the employer would contribute towards this scheme which operates in exactly the same way as the AVC schemes.</p>	<p>The Council does not contribute to Added Voluntary Contribution Schemes.</p>	<p>It is recommended that the existing policy should be retained. In view of the possible costs to the Council and possible perceptions of inequality if used selectively it is felt that the existing policy of not offering this benefit should be retained.</p>
<p>5. Flexible Retirement. The regulations allow flexible retirement whereby staff aged 55 or more may receive their pension and continue in employment. This would require the employee to have a reduction in their working hours or grade.</p>	<p>There is a separate Policy and procedure on Flexible Retirement which was approved by EBM on the 6th November 2008.</p>	<p>It is recommended that the existing policy should be retained. However, it is to be merged into a Voluntary Redundancy, Early Retirement and Flexible Retirement Policy</p>
<p>6. Double Entitlement. The scheme does not allow a person to receive benefit under more than one regulation in respect</p>	<p>Employing authority to choose which Regulation under which the benefits are paid if the member does not do so within</p>	<p>It is recommended that the existing policy should be retained. Likely to occur very infrequently, and what</p>

<p>of the same period of membership, and the employer has the discretion to decide under which Regulation the benefit should be paid if the employee does not make a decision.</p>	<p>3 months</p>	<p>is considered to be most beneficial option to the employee will be chosen.</p>
<p>7. Elections as to use of accumulated value of AVCs. An employee on retirement may elect to use an 'in house' AVC fund to purchase a benefit in the Local Government Scheme provided an election is made within one month of the date of leaving (where AVC arrangement was entered into before 13/11/01). The employer has the discretion to extend the time limit.</p>	<p>This discretion was previously removed by the 2008 regulations but prior to that the Council applied a time limit of 3 months.</p>	<p>It is recommended that a time limit of 3 months be applied.</p>
<p>8. Selection of the appropriate ill-health tiers for employees who are determined to be permanently incapable of discharging efficiently the duties of their normal occupation by reason of ill health or infirmity of mind or body.: Level 1 - There is no reasonable prospect of this employee being capable of other gainful employment* before age 65 Level 2 - This employee is likely to be capable of other gainful employment* before age 65 but after a period of 3 years Level 3 - This employee is capable of</p>	<p>The Chief HR People Services Officer will select the appropriate level after taking into account the certification provided by an independent registered medical practitioner.</p>	<p>It is recommended that the existing policy should be retained.</p>

<p>other gainful employment* within a period of 3 years.</p> <p>*Gainful employment means paid employment for not less than 30 hours a week for at least a year.</p>		
<p>9. Whether to extend the 12 month option period for non aggregation of deferred benefits</p>	<p>Existing policy was linked to the employee previously having 12 months to aggregate their deferred benefits and the time limit was not extended</p>	<p>This has now changed to a period to choose not to aggregate their service. It is recommended that the existing policy of not extending the time limit should be retained. However, the employer must agree to extend the time limit where there is a clear indication of an error or omission by either the employer or the scheme administrator.</p>
<p>10. How to determine the rate of employees' contributions. The current bands (2014) are:</p> <p>Actual Pay</p> <p>Up to £13,500 - 5.5%</p> <p>£13,501 to £21,000 - 5.8%</p> <p>£21,001 to £34,000 – 6.5%</p> <p>£34,001 to £43,000 - 6.8%</p> <p>£43,001 to £60,000 – 8.5%</p> <p>£60,001 to £85,000 – 9.9%</p> <p>£85,001 to £100,000 – 10.5%</p> <p>£100,001 to £150,000 – 11.4%</p> <p>More than £150,000 - 12.5%</p>	<p>The salary is calculated by taking the salary payable at the 1st April and adding the value of any fixed pensionable additions to pay, plus the value of any variable pensionable additions to pay from the previous year.</p> <p>If the pay rate changes during the year the policy is to make any required changes only from the 1st April following the change in the rate of pay. However any changes backdated to 1st April such, as a pay award, will require re-assessment and will be effective from the</p>	<p>It is recommended that the existing policy of making changes the following 1st April should be retained, however, it is recommended that the discretion to change during the year should be used where there are exceptional circumstances, e.g. a significant rise or drop in pay.</p>

	<p>date of the award. There is an appeals procedure for any employees who feel that they have been allocated to the wrong contribution band for their whole time equivalent salary.</p> <p>There is now discretion to re-assess the contribution rate during the financial year in exceptional circumstances.</p> <p>To award the number of weeks based on the statutory table multiplied by a factor of 3, subject to a maximum of 66 weeks payable.</p>	
<p>11. To award lump sum compensation of up to 104 weeks pay in cases of redundancy, termination of employment on efficiency grounds, or cessation of a joint appointment.. – The Council has the discretion to pay up to maximum of 104 weeks pay to eligible employees.</p>		<p>It is recommended that the existing policy should be retained (and extended to teachers from 1st September, 2014).</p> <p>The Council's policies for utilising this discretion are contained in the Voluntary Early Retirement and Redundancy Policy and Procedure which is being reviewed and updated as a Voluntary Redundancy, Early Retirement and Flexible Retirement Policy.</p>
<p>12. The power to Increase a Statutory Redundancy Payment- The council has the discretion to increase a statutory redundancy payment by applying up to an actual week's wage instead of restricting it to the statutory limit.</p>	<p>Redundancy payments are based on actual weeks pay up to a maximum of £464 per week (as at 1st April 2014) or actual pay whichever is the lesser. The maximum figure to be reviewed in line with the statutory limit on a week's pay for calculating redundancy payments .</p> <p>The Council apportions the annual compensation between all surviving</p>	<p>It is recommended that the existing policy should be retained (and extended to teachers from 1st September 2014).</p>
<p>13. More than One Surviving Spouse – Where a deceased person is survived by</p>		<p>It is recommended that the existing policy should be retained. This provision</p>

<p>more than one surviving spouse, then the Council has to decide how it will apportion any compensatory pension between the surviving spouses. This provision covers employees whose faith allows them to have more than one spouse. Applies only where there are legitimate marriages.</p>	<p>spouses.</p>	<p>covers employees whose faith allows them to have more than one spouse. Applies only where there are legitimate marriages. The regulations require that the pension be distributed in equal shares.</p>
<p>14. Suspension of Compensatory Pension on Remarriage – The Council has the discretion to suspend either a widow or widower’s pension of a person who ceased employment prior to 1 April 1998 and who remarries or cohabits after that date.</p>	<p>The suspension rules shall not apply to those who ceased employment prior to 1 April 1998</p>	<p>No change to existing Policy</p>

APPENDIX B - Redundancy Pay Calculator Table for permanent employees and temporary employees with over 4 years service 1/4/11

Age	Service (Years)																			
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20+	
17																				
18		3																		
19		3	4.5																	
20		3	4.5	6																
21		3	4.5	6	7.5															
22		3	4.5	6	7.5	9														
23	4.5	6	7.5	9	10.5	12	13.5													
24	6	7.5	9	10.5	12	13.5	15	16.5												
25	6	9	10.5	12	13.5	15	16.5	18	19.5											
26	6	9	12	13.5	15	16.5	18	19.5	21	22.5										
27	6	9	12	15	16.5	18	19.5	21	22.5	24	25.5									
28	6	9	12	15	18	19.5	21	22.5	24	25.5	27	28.5								
29	6	9	12	15	18	21	22.5	24	25.5	27	28.5	30	31.5							
30	6	9	12	15	18	21	24	25.5	27	28.5	30	31.5	33	34.5						
31	6	9	12	15	18	21	24	27	28.5	30	31.5	33	34.5	36	37.5					
32	6	9	12	15	18	21	24	27	30	31.5	33	34.5	36	37.5	39	40.5				
33	6	9	12	15	18	21	24	27	30	33	34.5	36	37.5	39	40.5	42	43.5			
34	6	9	12	15	18	21	24	27	30	33	36	37.5	39	40.5	42	43.5	45			
35	6	9	12	15	18	21	24	27	30	33	36	39	40.5	42	43.5	45	46.5	48		
36	6	9	12	15	18	21	24	27	30	33	36	39	42	43.5	45	46.5	48	49.5	51	
37	6	9	12	15	18	21	24	27	30	33	36	39	42	45	46.5	48	49.5	51	52.5	
38	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	49.5	51	52.5	54	
39	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	52.5	54	55.5	
40	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	55.5	57	
41	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	58.5	
42	7.5	10.5	13.5	16.5	19.5	22.5	25.5	28.5	31.5	34.5	37.5	40.5	43.5	46.5	49.5	52.5	55.5	58.5	61.5	
43	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	
44	9	13.5	16.5	19.5	22.5	25.5	28.5	31.5	34.5	37.5	40.5	43.5	46.5	49.5	52.5	55.5	58.5	61.5	64.5	
45	9	13.5	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	
46	9	13.5	18	22.5	25.5	28.5	31.5	34.5	37.5	40.5	43.5	46.5	49.5	52.5	55.5	58.5	61.5	64.5	66	
47	9	13.5	18	22.5	27	30	33	36	39	42	45	48	51	54	57	60	63	66	66	
48	9	13.5	18	22.5	27	31.5	34.5	37.5	40.5	43.5	46.5	49.5	52.5	55.5	58.5	61.5	64.5	66	66	
49	9	13.5	18	22.5	27	31.5	36	39	42	45	48	51	54	57	60	63	66	66	66	
50	9	13.5	18	22.5	27	31.5	36	40.5	43.5	46.5	49.5	52.5	55.5	58.5	61.5	64.5	66	66	66	
51	9	13.5	18	22.5	27	31.5	36	40.5	45	48	51	54	57	60	63	66	66	66	66	
52	9	13.5	18	22.5	27	31.5	36	40.5	45	49.5	52.5	55.5	58.5	61.5	64.5	66	66	66	66	
53	9	13.5	18	22.5	27	31.5	36	40.5	45	49.5	54	57	60	63	66	66	66	66	66	
54	9	13.5	18	22.5	27	31.5	36	40.5	45	49.5	54	58.5	61.5	64.5	66	66	66	66	66	
55+	9	13.5	18	22.5	27	31.5	36	40.5	45	49.5	54	58.5	63	66	66	66	66	66	66	

GUIDANCE ON FLEXIBLE RETIREMENT

The purpose of this guidance note is to provide managers and employees with more information about the flexible retirement scheme. It will allow managers to both respond to requests from employees, and consider offering flexible retirement in appropriate situations. However, as the Council employs a wide variety of employees with differing terms and conditions, the information contained is general and will not apply to all employees. If managers wish to confirm whether any of your employees are eligible please contact HR People Services.

Flexible Retirement

- Flexible retirement allows an employee to access their pension benefits and to continue to work either in the same job on reduced hours, or in a new job at a lower grade. (Or possibly in the same job at a lower grade).
- Under the Councils policy, flexible retirement will not be considered unless there is a reduction in working hours, and/ or grade resulting in a reduction in pay of at least 25%.
- The reduction may be voluntary, e.g. someone nearing retirement age may wish to reduce their hours, or the reduction could be involuntary, e.g. a drop in grade via redeployment.
- Flexible retirement will have the effect of partially or fully replacing a reduced salary with pension benefits.
- To be eligible employees must have reached the age of 55 and be members of the Local Government Pension Scheme.
- Continuous service will be retained for the purpose of annual leave and sick pay and for employment rights such as redundancy or unfair dismissal.
- The scheme is discretionary, and approval for flexible retirement is at the sole discretion of the Council

Cost of Flexible Retirement

- The 85 year rule is satisfied where an employee's age and service (in whole years) added together equates to 85 or more. (E.g. someone who is 55 with 30 years service).
- Employees who do not meet the 85 year rule will receive a reduced pension and therefore there will be no additional cost to the pension fund.
- Employees who meet the 85 year rule before the age of 60 will receive accrued benefits with no reduction and therefore there will be an additional cost to the pension fund.
- Where employees are 60 plus there will be no additional cost to the pension fund.
- Service Areas will have to meet any additional costs
- It is possible to waive a pension reduction in appropriate cases.

Issues to Consider When Dealing With Requests for Flexible Retirement

- Will the retirement result in the retention of an employee with specialist skills in short supply, or an employee in a sector where there are recruitment and retention difficulties?
- Will the retirement result in additional costs to the service area?
- Will the retirement be an alternative to avoiding redundancies and the cost of redundancies?
- Will the retirement help with succession planning (e.g. retain someone with special skills for an agreed period in order to train someone to do the job)?
- What are the circumstances behind the reduction in hours/ grade, and do they merit sympathetic consideration?
- Are there health issues that should be considered?
- Should consideration be given to waiving any pension reduction on compassionate grounds (e.g. caring responsibilities that affect the ability of the individual to continue with his/her present working arrangements)?

Briefing Note for PRAP - Draft/No Status

Review of Voluntary Severance Scheme :Associated Issues

Background

1. As part of the current review of the Council's Voluntary Severance Scheme, the opportunity is being taken to consider a number of related matters. Firstly the routine use of Settlement Agreements (and associated costs) for staff who leave on the grounds of VS and the approach the Council should take in relation to re employing staff who have previously taken Voluntary Severance.

Continued Routine Use of Settlement Agreements

2. When agreeing for someone to exit the Council on the grounds of Voluntary Severance, the Council has for some years required the employee to sign a Settlement Agreement (previously known as a Compromise Agreement). These are legally binding contracts which can be used to end an employment relationship on agreed terms. They can also be used to resolve an ongoing workplace dispute. Once a valid settlement agreement has been signed, the employee will be unable to make an Employment Tribunal claim about any type of claim which is listed on the agreement.
3. In order for a Settlement Agreement to be binding, one of the legal requirements is that the employee must have received advice from a relevant independent adviser on the terms and effect of the proposed agreement and its effect on the employee's ability to pursue that complaint or proceedings before an Employment Tribunal or other Court.
4. ACAS Guidance states that 'employers may wish to offer to pay any such fee, or a contribution towards it, in the interests of ensuring that the employee gets the necessary advice'. However, they then include a paragraph saying that a contribution will be paid in the standard template they provide for Settlement Agreements. The current amount that the Council contributes to the cost of funding the legal advice is £225 plus VAT. Recent advice has confirmed that the Council cannot reclaim the VAT element in these circumstances and therefore the true cost to the Council per settlement agreement is £270.
5. The reason for the routine use of Settlement Agreements has been to protect the Council from any potential Employment Tribunal claims subsequently submitted by staff who have taken Voluntary Severance. The Council has an enhanced redundancy pay scheme which pays up to 66 weeks salary (capped at £464pw, the statutory maximum) - the statutory scheme only pays up to 30 weeks. As employees are already being compensated above the statutory minimum it has been felt that it is important that the Council protect itself against any claims which may further increase the amount paid out. In the financial year 2013/14 the

Council agreed 374 corporate voluntary redundancies which based on a cost of £270 per agreement amounts to a cost of £100,980 just for the legal fees.

6. In schools, Settlement Agreements have not been used routinely for voluntary redundancies. They have only been used where HR People services are aware that there have been issues with the employment relationship. Instead, the employee taking voluntary redundancy signs a form stating their agreement to this mutual agreement. In the last 10 years there have been 334 voluntary redundancies from schools. Based on this and a charge of £270 the cost of the Settlement Agreements would have been £90,180. There has only been one Employment Tribunal submitted from an employee leaving a school and this was linked to the pension payment that they received and it was settled out of court.
7. The advantages of using a Settlement Agreement more widely is that the employee is not able to bring an Employment Tribunal claim against the Council. However, the disadvantages are the significant cost to the Council of paying the legal fees when in the vast majority of cases there have been no issues at all with the employment relationship. There is also the cost of officer time to prepare the Settlement Agreements and for them to be signed off by relevant Senior Managers.
8. In the light of limited risk, the costs incurred at a time of considerable budgetary pressure and the practice in other Local Authorities, the proposal is to stop the use of Settlement Agreements on a routine basis and only use them where there have been difficulties with the employment relationship. Where they are used in these circumstances, the Council will continue to contribute to the legal costs.
9. The views of Policy Review and Performance Scrutiny are sought on this suggested way forward.

Re Employment of Those Who have taken Voluntary Redundancy

10. An issue which is periodically raised and has been the subject of a number of Council questions concerns employees taking Voluntary Redundancy and then being re employed or re engaged in some other role or capacity somewhere else in the Council.. Where re employment has occurred, it is in quite a different and unrelated role and at a different grade. Whilst the numbers returning on this basis are quite small, it does raise a number of issues around the business case to support the employee's departure and perceptions regarding the public purse .
11. There is nothing within the Local Government Pension regulations that prevents someone from applying for or being appointed to a post in the Council or any other Council when they have accessed their pension even where they have accessed this via voluntary redundancy. Also, the Council cannot prevent those who have taken Voluntary Redundancy

from applying for Council jobs or seeking employment through Cardiff Works, although the opportunities for the latter are becoming increasingly restricted.

12. From information gained from other local authorities in Wales, a variety of approaches are in place in relation to those who have taken Voluntary Severance from the Council and who then seek re employment back with the same authority in some other capacity. The policies and practices currently in place include:

- Not to re employ
- Not normally to re employ but Chief Executive can agree exceptional (business) cases
- Re employment only possible after a period of time has elapsed (6 months/12 months/24 months/number of weeks pay received as part of the VS)
- No restriction on re employment

13. The views of Policy Review and Performance Scrutiny are sought in relation to these options.

14. Summary of VS Schemes operating across Wales

Multiplier of Statutory Redundancy Scheme

14 Councils use a multiplier of up to 1.5
6 Councils use multiplier of between 1.5 and up to 2
2 Councils (including Cardiff) use multiplier of 2.5 and above

Number of Weeks Used

2 Councils use 30 weeks max
12 Councils use 45 weeks max
8 Councils (including Cardiff) use 46 weeks plus

Weekly Pay for Calculating VS Payment

16 Councils use actual weekly pay - no cap
6 Councils (including Cardiff) cap weekly pay or specify max VS payment to be received

Most Prevalent Scheme

The most prevalent scheme operating (10 Councils) is 1.5 multiplier, up to 45 weeks and actual weekly pay.

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CORRESPONDENCE – INFORMATION REPORT

Background

1. Following Committee meetings, the Chair writes a letter to the relevant Cabinet Member or senior officer, summing up the Committee's comments, concerns and recommendations regarding the issues considered during that meeting. The letter usually asks for a response from the Cabinet Member to any recommendations made and sometimes requests further information.

Issues

2. A copy of the Correspondence Monitoring Sheet detailing the Committee's correspondence and those responses received is attached at **Appendix A**. For ease of reference, the lines of those letters to which the Committee has received a full response and where no actions are left outstanding have now been removed from the document. Where new information has been added since the Committee last considered a correspondence report, this information is highlighted in **bold**. Attached to this report are copies of recent correspondence.

30 September 2014 meeting

3. The Committee considered the Cabinet response to the Committee's Public Engagement with Scrutiny Inquiry at this meeting. A copy of the Chair's letter is attached at **Appendix B**. A copy of Councillor De'Ath's response is attached at **Appendix C**.

4 November 2014 meeting

4. The Committee considered the Cardiff Debate Engagement programme at this meeting. A copy of the Chair's letter is attached at **Appendix D**. A copy of the Leader's reply is attached at **Appendix E**.

2 December 2014 meeting

5. The Committee considered the Corporate Plan at this meeting. A copy of the Chair's letter is attached at **Appendix F**.

6. The Committee also considered the 2014/15 Month 6 Budget Monitoring position and the preparation of the 2015/16 Budget Proposals at this meeting. A copy of the Chair's letter summing up the Committee's comments on these subjects is attached at **Appendix G**.

Legal Implications

7. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

8. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

Recommendation

The Committee is recommended to note the content of the letters attached to this report and decide whether it wishes to take any further actions, or request any further information.

MARIE ROSENTHAL

County Clerk and Monitoring Officer

30 December 2014

Committee date	Committee Item	Recipient	Comments/information requested	Response date	Response	Further Actions
02/09/14	Reforming Local Government White Paper	Leader (Cllr Bale)	<p>Committee:</p> <ul style="list-style-type: none"> - emphasised that Cardiff's position as Capital City should not be lost; - recommend that the Cabinet's proposed response is presented to Council for debate and approval prior to submission on 1 October; - requested that the additional Welsh Government guidance regarding voluntary mergers is forwarded. 	18/11/14	Cllr Hinchey responded that Cabinet considered a report on the subject at its 9 October meeting and agreed that discussions would be progressed with the Vale of Glamorgan, as well as other stakeholders and the Welsh Government around the development of alternative proposals in exceptional circumstances. A report will go to Council on 27 November 2014.	None
02/09/14	Cllr 1, 2014/15 Performance	Leader (Cllr Bale) Cabinet Member for Corporate Services & Performance (Cllr Hinchey)	<p>Committee:</p> <ul style="list-style-type: none"> - welcomed the additional risk information; - was pleased to see that Personal Performance and Development Review and Sickness performance had improved; - agreed to set up a Performance Panel to look at performance issues in more depth, and those workforce planning as the first issue for consideration. As part of this the Committee would look at overtime/agency spend, as it didn't feel that the information contained in the performance report was sufficient to judge how these were being used and how this affected it, for example, budget savings; - requested that Cabinet/Deputy performance challenge sessions to assure themselves that challenge was sufficiently robust; - requested greater visibility of additional in-year savings where these are put in place outside the February budget-setting process, and of any use of budget contingencies; - noted with concern the decreasing performance in terms of fulfilling multi-service information requests. 	18/11/14	Cllr Hinchey responded welcoming the Committee's comments. Officers are reviewing how overtime and agency spend is presented and the Cabinet Member would be happy to discuss this further.	No comment regarding attendance at challenge sessions. Committee reiterated this point in its Quarter 2 letter. The presentation of overtime and agency data was amended/reduced in the Quarter 2 report, and Committee has asked for it to be reinstated in its Quarter 2 letter. Improved performance regarding Information Requests is being pursued. There was no comment regarding additional in-year budget savings.
02/09/14	Challenge Forum	Leader (Cllr Bale) Cabinet Member for Corporate Services & Performance (Cllr Hinchey)	<p>Committee:</p> <ul style="list-style-type: none"> - agreed that the Forum could be a powerful mechanism for encouraging real changes in performance and welcomed its initially focus on Education and Children Services; - requested Forum members to attend Committee to brief them on their work and aid their scrutiny of relevant issues (performance and Organisational Development); - requested written updates on the Forum's future work and recommendations, to be reported to other Committees as relevant; - requested more notice of future meetings to ensure the Chair's attendance 	18/11/14	Cllr Hinchey responded that Martin Hamilton would arrange if possible for Barry Quirk to attend the Committee's look at Organisational Development. Rod Alcott observed the Quarter 2 performance scrutiny as part of his review.	Although Rod Alcott observed the Committee's 4 November 2014 meeting, the Committee requested that he attend to explain his review of performance and his findings, so Committee may like to request this for Quarter 3.

Committee date	Committee Item	Recipient	Comments/Information requested	Response date	Response	Further Actions
			<p>On Capital Times, the Committee:</p> <ul style="list-style-type: none"> - Expressed congratulations to the team for the levels of income achieved by the paper. - Was reassured that the Cabinet Member ruled out a wholly online publication in future. - Could see positive aspects to returning to 12 printed editions in terms of accessibility and its good reputation. - Recommended that the paper should be published on a regular basis, with the full costs of publication included in the budget. - Recommended that the Capital Times should be developed into a more effective engagement tool for more serious issues such as the WAC Corporate Assessment and the Budget. - Recommended that the Capital Times should be monitored to avoid suggestions of political bias. 	19/11/14	<p>The Leader responded that costs of producing the Capital Times and of publishing statutory notices were provided. The County Clerk and Monitoring Officer will scrutinise each edition to ensure that it complies with the Code of Conduct on Local Authority Publication, and the Leader will ask the Interim Head of Communications to address the content of Capital Times articles.</p>	<p>The unique number of hits for online editions of the Capital Times was not provided. This is been followed up with officers.</p>
30/09/14	Public Engagement with Scrutiny Inquiry response	Cabinet Member for Safety Engagement and Democracy (Cllr DeAith)	<p>Committee:</p> <ul style="list-style-type: none"> - welcomed the positive response to the Inquiry; - noted that there is still some way to go in increasing public engagement with scrutiny and hoped that Scrutiny would be able to tap in to the Council's holistic approach; - noted that modern gov should be operational in December, but emphasised that those who don't or prefer not to use ICT should not be forgotten; - recommended that cost effective ways of increasing engagement should be experimented with; - recommended using Cardiff Debate and community events to engage with the public; - recommended that more should be done to communicate the outcome of scrutiny; - was supportive of the proposal to trial webcasting of the Budget Scrutiny meetings. 	04/12/14	<p>Councillor DeAith responded that the Improving Scrutiny project will be used to set plans in place for increasing public engagement, as will the Communications Strategy. Public questions will be piloted in Scrutiny Committees. He noted that the Scrutiny team has reduced in recent years so capacity to address this agenda has been affected. Committees are welcome to pilot webcasting meetings in the Council Chamber.</p>	None
04/11/14	Cardiff Debate	Leader (Cllr Bate)	<p>Committee:</p> <ul style="list-style-type: none"> - thanked the officers who have supported the Debate; - recognised the steps forward which the Debate represented in terms of public engagement, and some of the successful methodologies used. Some Members highlighted how well the events had been received in their communities; - had discussed the merits and difficulties in consulting the public and believed that it is still something which the Council must attempt to inform communities regarding the budget and discover their priorities. Ensuring their views are taken into account and the feedback loop closed is vital; - welcomed the Leader's openness to accepting suggestions for improvements. Members felt some of the categories used were fading and should be re-thought; - welcomed repeating community results in order to obtain a more reliable result which is not so coloured by current events; - highlighted the subjectivity of some of the interpretation of results and the lack of reliability in terms of ward results, questioning how far they could be used to inform future decision-making. They were reassured that where specific service cuts were proposed, there would be full consultation 	03/12/04	<p>The Leader had taken Committee's advice on board and rethought the categories on offer, providing a new voting opportunity for Local Development Plan / planning consultation opportunity and responsibilities. Welcomed further views on how to engage and empower local Members in taking forward consultation and engagement opportunities with local residents as the three year programme of engagement develops.</p>	None
04/11/14	Draft Property Strategy	Cabinet Member for Corporate Services and Performance (Cllr Hinchey)	<p>Committee:</p> <ul style="list-style-type: none"> - reiterated Members' disappointment at the delay in presenting the Strategy and the effect that this had on the agenda for the meeting. Members hoped that the Cabinet forward planning would improve to prevent a recurrence; - expressed their disappointment about the contents of the draft Strategy given the 18 month delay. Members had expected to see more detail of direction of travel, and noted that several pieces of work were yet to be completed; - requested to consider the Investment Review in pre-decision, so asked for confirmation of its availability; - noted that a detailed business case for an alternative to County Hall is under development and asked for pre-decision scrutiny; - will consider the annual Corporate Asset Management Plan for inclusion in future work programmes; - had referred the Schools Review to the Children and Young People Scrutiny Committee; - noted that the Council's vision had been addressed and reiterated the need to use property for community and social benefit as well as financial gain. Members recommended the amendment of the draft Strategy to reflect this; - recommended further detail should be included in the Strategy regarding benchmarking and Member engagement with disposals; - noted that some 'confidential' papers were referred to in the draft Cabinet report, asked that these be circulated to the Committee and recommended that the Cabinet report should be revised to set out the reason for exemption from publication. 	Not yet received		

Committee date	Committee Item	Recipient	Comments/Information requested	Response date	Response	Further Actions
04/11/14	Organisational Development - Strategic Commissioning & Service Reviews	Cabinet Member for Corporate Services and Performance (Cllr Hitchey)	<p>Committee:</p> <ul style="list-style-type: none"> welcomed the outward looking stance which has been taken in trying to learn from experiences elsewhere; recommended that more concrete examples of what is done elsewhere are investigated and the knowledge shared; noted the strain on the Commissioning and Procurement team and repeated its recommendation that at least should be considered to ensure that the Commissioning and Procurement teams would not be able to take over service provision; recommended that the programme of service reviews should more properly sit within the Change & Improvement function; noted the issue of internal capacity and capability to review services; recommended that the management programme should be extended below Grade 6 to cover all managers/supervisors; asked for confirmation of the timescale for putting in place a revised Community Asset Transfer Toolkit; noted with interest the work of John Hallett and would seek to hear from him during its consideration of Social Inclusion in Cardiff later in the year. 		Not yet received	
04/11/14	Performance Q2 2014/15 & Challenge Forum	Cabinet Member for Corporate Services and Performance (Cllr Hitchey)	<p>Committee:</p> <ul style="list-style-type: none"> Cabinet Member's comment that positive progress had been made, albeit that the budget position remains of concern; noted the areas highlighted by the Chief Executive: the financial position; management of demand in Health & Social Care; sickness absence and pressures in Children's Services. The former was already on the Committee's work programme for detailed consideration; The Committee referred the 'Key Issues' report produced by the Chief Officer for Change & Improvement to the other Scrutiny Committees as many issues fell outside PRAPs terms of reference; noted the gap in risk information; recommended that Overtime and Agency spend data be reinstated; recommended that the customer point of view, which Members had recommended on several occasions be built into the Corporate Plan, be included in the next Corporate Plan; the Member for Equality, which the Cabinet Member had said would be addressed by Q2, had not been and that it should be by Quarter 3; noted that the Member for Equality line commentary, which the Cabinet Member had said would be addressed through the corporate/service planning approach, the Performance Panel may address this area in future; requesting confirmation of the quality checks of PPDRs which had been flagged up on several occasions with no evidence of the outcome provided; repeated the as yet unanswered request to attend the 'star chamber' sessions; requested an update on progress in producing a 'public facing' version of the report, which was flagged up during consideration of the 2013/14 Autumn. 			
02/12/14	Corporate Plan 2015-17	Leader (Councillor Bale)	<p>Committee:</p> <ul style="list-style-type: none"> welcomed the opportunity to discuss the Plan at an earlier stage and the consideration given to best practice in Corporate Planning in the Core Cities and the wider planning & policy agenda; Directorate Plans should be in place for the start of the new financial year; The Committee didn't require a formal response, apart from conformation of the availability of the Corporate Plan, What Matters refresh and Directorate Delivery Plans. recommended that more thought should be given to ensure the final Plan is suitable for all its audiences; recommended that appropriate training should be developed for officers regarding outcomes/objectives, measures and target-setting; asked for a number of points to receive more prominence in the Plan (NEETS, capital city status, cross-boundary working); recommended that the influence of engagement on the Plan should be clearly set out; similar comparative data should be included in the Plan; the Plan should be a driver for the Mayor's Strategy; Committee's budget meetings; the timings of the availability of What matters, Corporate Plan, Directorate Delivery Plans. 		Not required, apart from confirmation of availability of availability of What Matters, the final Corporate Plan, and Directorate Delivery Plans.	

Committee date	Committee item	Recipient	Comments/information requested	Response date	Response	Further Actions
02/12/14	Budget Monitoring M6 2014/15 & 2015/16 Budget Consultation proposals	Cabinet Member for Corporate Services and Performance (Clr Hinchley)	<p>Committee:</p> <ul style="list-style-type: none"> - remain concerned about the number of Directorate budgets that are overspent; - reiterated the point that where alternative savings proposals are found these should be visible and subject to scrutiny; - urged that the Council must push ahead where savings are dependent on the outcome of projects, such as finding alternative management for St David's Hall; - welcomed the early release of consultation proposals; - recommended that more should be done to advertise the Cardiff Debate, although recognising that this was difficult to achieve; - asked for Cardiff Debate results to be ready for the Committee's February budget meeting; - recommended that a contingency should be included in the proposals; - thanked Cabinet Members and Directors for their briefings on their budget positions. 		Not required apart from confirmation of the availability of the Cardiff Debate results.	

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 8 October 2014



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Councillor Daniel De'Ath
Cabinet Member for Safety, Engagement and Democracy
City of Cardiff Council
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Item 9 Appendix B

Dear Councillor De'Ath,

POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE
30 September 2014 - Public Engagement with Scrutiny Inquiry response

On behalf of the Committee, many thanks to you and your officers for attending Committee to present the combined response to the Committee's Inquiry regarding public engagement with Scrutiny. We welcome the positive response to the Inquiry's recommendations.

Having considered the progress which has been made to date in increasing public awareness of and engagement with Scrutiny, it is obvious that there is still some way to go. The Committee recommends that a holistic approach is taken, to consider the Council's whole mechanism for engagement. Scrutiny should be able to tap into that overall approach, rather than running along separate, parallel lines, particularly given resource restraints.

We welcome the acquisition of modern.gov and hope that it will indeed make information about Scrutiny more accessible to the general public once it is operational in December. However, this Committee has always emphasised that we should not forget those citizens who do not have access to, or prefer not to use, ICT as their primary method of contact with the Council. We agree that Ward Councillors are vital in bringing their expertise and knowledge of local matters to decision-making. The Committee also recommends that the Council is proactive in employing more inventive and cost-effective ways of involving the public in what Scrutiny does. Members suggested trialling calls for evidence via social media or the Capital Times several months in advance of Committee items. We could also benefit from community events and Cardiff Debate sessions to promote Scrutiny and gain citizens' views within communities, rather than expecting communities to come to us. We would hope that some relatively economical methods could be found for engaging the public and generating enthusiasm about the democratic process, if we are happy to experiment, review and adjust our practices. Members further recommend that more is done to report the outcome of Scrutiny, closing the feedback loop, perhaps via the Capital Times or the Scrutiny webpages.



The Committee noted your proposal that it may be useful to trial webcasting of Scrutiny Committee meetings by holding the next Budget Scrutiny meetings by using the existing equipment in the Council Chamber. The Committee was supportive of this idea, assuming that the pilot is fully assessed in terms of its effectiveness before any longer-term or more costly arrangements are put in place.

We would be grateful for response to the comments and recommendations above and thank you again for attending the meeting.

Yours sincerely,



COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Marie Rosenthal, County Clerk & Monitoring Officer
Paul Keeping, Operational Manager, Scrutiny Services
Cabinet Office
Members of the Policy Review & Performance Scrutiny Committee

**CABINET SUPPORT OFFICE
SWYDDFA CYMORTH Y CABINET**

My Ref / Fy Cyf: CM29343
Your Ref / Eich Cyf:
Date / Dyddiad: 4th December 2014



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Councillor Nigel Howells
Chair of Policy Review and Performance Scrutiny Committee
c/o Kate Ward
Room 263h
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Atlantic Wharf
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CF10 4UW

Item 9 Appendix C

Dear / Annwyl Nigel

Policy Review And Performance Scrutiny Committee 30 September 2014

Thank you for your letter dated 8 October 2014, and for the welcome extended to myself, Marie Rosenthal and Paul Keeping at the meeting. It was pleasing to receive Committee's observations and suggestions on improving our citizens' connection with local democracy, and it goes without saying that your Committee's investment of time in producing the excellent report "*Public Engagement With Scrutiny*" has set out a helpful policy agenda for us to progress.

You will be aware that the Council is developing an *Improving Scrutiny* Project as part of its Programme of Organisational Change for the remainder of the financial year, and I am determined to achieve all that can be achieved through this project in setting out ambitions, expectations and plans around public engagement. I agree that engagement with scrutiny should be part of a holistic framework of inclusive governance, touching all parts of the democratic process. The Cabinet is developing a Communications Strategy and about to appoint a new Head of Communications, which will both provide capacity and direction to future engagement work.

Pending these developments, recent successes have included an engagement summit between Cabinet and the Cardiff Youth Council during Local Democracy Week in October, and in January 2015 Constitution Committee will receive a report seeking their approval to introduce public questions at Scrutiny Committee meetings, subject to the support of Scrutiny Chairs. My plan is for this to be piloted in scrutiny, but if it is seen to work there, we could consider extending as appropriate to other Committees of the Council.

At a more general level, I would cite the Cardiff Debate framework introduced by Councillor Phil Bale immediately on taking on the role of Council Leader as a

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holistic and innovative approach to informing and involving the public in the democratic process.

I am pleased that you are in support of my suggestion about piloting innovative engagement. As you say, social media offers new ways of communicating and involving people who might not have understood how councils work. I also concede that there is potential to inform communities more effectively about the improvements that former Scrutiny inquiries have made to Council services. I would like to restate, however, the note of caution I expressed in my response about capacity and expectations. Cabinet reluctantly proposed the loss of four of the 15 posts in Scrutiny Services as part of its 2014/15 budget proposals.

In a perfect world, none of us would have wanted to lose officer capacity in Scrutiny, but this was at the time seen as necessary as part of the Council's overall need to reduce expenditure. One of these posts was the Public Engagement Officer, which had been specifically designed to increase involvement with scrutiny. Another was the loss of the Principal Scrutiny Officer for the Economy and Culture Scrutiny Committee, which the Operational Manager has had to cover this year, reducing his capacity to secure scrutiny improvement and engagement. Expectation of scrutiny is increasing at both a local and national level, and I would like to suggest that it will be important to remain realistic about what can be prioritised and achieved moving forward.

On a more positive note, I will be happy to support the extension of webcasting to scrutiny committees within the spare capacity currently available in the Council's contract with Public-i. I understand that you considered my suggestion of webcasting the February 2015 Budget Scrutiny meetings at your Scrutiny Chairs' Liaison Forum recently, but felt that the Council Chamber was not an ideal environment for conducting scrutiny. We do not currently have financial capacity to invest in the installation of webcasting hardware in Committee Room 4, but the offer of using the Chamber remains on the table, and I hope that you will keep it under review.

In closing, thank you again for your Committee's commitment to – and championship of – the public engagement agenda, and I look forward to discussing this with you again in the near future.

Yours sincerely,
Yn gywir,



Councillor / Y Cynghorydd Daniel De'Ath
Cabinet Member for Safety, Engagement & Democracy
Diogelwch, Ymgysylltu a Democratiaeth

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 13 November 2014

Councillor Phil Bale
Leader
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Item 9 Appendix D

Dear Councillor Bale,

POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE 4 November 2014 Cardiff Debate

On behalf of the Committee thank you for attending this month's Policy Review and Performance Scrutiny Committee meeting. The Committee welcomed the opportunity to scrutinise the methodology used for the Cardiff Debate programme. You will recall from your time on the Committee the importance which we have placed on meaningful consultation with Cardiff citizens, particularly over budget matters. Firstly the Committee has asked me to repeat their thanks to the officers involved in delivering the Debate; it is obvious how much work they have put in over a relatively short space of time. I will set out some of the Committee's other comments and recommendations below.

When considering recent budget consultations, the Committee had emphasised that there was a need for much more effective engagement than can be offered by short-term web-based surveys. There has been a distinct need to make the Council's engagement more meaningful and accessible. Members recognise that the Cardiff Debate represents a significant step forward from previous consultation, particularly that around budget proposals. The Committee's own work on public engagement highlighted that it is typically most effective to involve communities by going out to them and by 'piggy backing' on existing community events, rather than by expecting communities to come to the Council with their views. Some Committee Members commended the Debate in terms of how approachable and useful people in their own wards had found the events they attended.

The Committee discussed the inherent difficulties and merits of consulting effectively with the public. We recognise that public engagement is something which few bodies have truly mastered, but Members were largely in agreement that it is nevertheless something which the Council must attempt to do, both to inform the public about the hard budget choices we have to make and to gauge how citizens would prioritise expenditure in more restricted circumstances. Closing the feedback loop is also essential to ensure that the public does not become cynical, believing that their views are given to little or no effect. We recognise that this may have resource implications, but believe that it is important that citizens can trust that their views are taken into account. We recommend that further thought is given to how this can be achieved.



We welcomed your openness to accepting suggestions for improvements to the future of the programme. There were a number of areas which Members believe must be addressed in the next two years of the programme. Several Members feel that the categories which people were asked to prioritise did not give a rounded picture of Council services. Members also feel that if, as officers informed us, the categories were intended to be useful for prioritisation in a partnership context, then they were also not appropriate for this purpose. 'Health Services' as a grouping would not seem to provide Health partners with much valuable data in terms of prioritising their resources, for example. We recommend that these categories are re-thought in any future rounds of engagement.

It was clear from officers' evidence, and from Members own reading of the Cardiff Debate feedback report, that the results of the engagement are very much snapshots of current opinion. Some were clearly coloured by the events upon which they piggy-backed and quite different results may have been obtained in other contexts. We recommend that activity is repeated in order to provide a more reliable result.

In terms of the ward-specific analyses of public priorities, Members feel that the results cannot give an accurate picture of any ward's concerns given that the addresses of those who voted were not recorded and it cannot be guaranteed that views can be attributed to the residents of any particular ward. Members were also concerned that some of the analysis of the results was more subjective than scientific. This was particularly evident in the narrative evaluation of the rates of satisfaction with services provided by the Council, as Members raised during the meeting. Issues such as these made Members question how far the results can be relied upon in future decision making. The Committee was therefore reassured to hear from the Director for Communities that should specific proposals to cut services come forward, these will be fully consulted upon.

Many thanks again for attending the meeting, and I look forward to your response regarding the comments and recommendations the Committee has raised.

Yours sincerely,



COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Sarah McGill, Director Communities, Housing and Customer Services
Rachel Jones, Operational Manager Partnerships and Citizen Focus
Cabinet Office
Members of the Policy Review & Performance Scrutiny Committee



Fy Nghyf / My Ref: CM29145

Eich Cyf / Your Ref:

Dyddiad / Date: 3rd December 2014

Item 9 Appendix E

Councillor Nigel Howells
Cardiff County Council
Atlantic Wharf
Cardiff
CF10 4UW

Annwyl / Dear Nigel

Prap 4 November 2014 - Cardiff Debate

Thank you for your recent letter regarding the comments and recommendations of the Committee in relation to the Cardiff Debate.

I welcome the recognition of the Committee of the efforts made to establish a more accessible engagement programme with our citizens and the success of 'piggy backing' on existing community events. As Officers and I highlighted when we attended the Committee, it is important that we continue to engage and raise awareness and interest in the challenges that all public services are facing. It has also been pleasing to hear feedback from members of the Committee who attended events in their wards that their communities had found the events to be both approachable and useful.

Regarding the next phase of the Cardiff Debate, the Cabinet and I agree that we have a vital role in informing the public about the difficult budget choices we have to make and to gauge how citizens would prioritise expenditure in more restricted circumstances. We have set out our budget proposals for consultation earlier than before to encourage a wider debate on possible solutions and encourage ideas to come forward that could enable us to do things differently. I also believe that by setting out our city-wide proposals on an area basis we have a more transparent basis for discussion signalling our firm intention to move away from a traditional silo-based Directorate approach. Certainly, there are currently a number of ongoing discussions around services and buildings and, whilst our £48.3m budget shortfall is extremely challenging for next year, I very much hope that some new solutions will be found by working together with our communities

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Feedback to citizens on decisions made following consultation and engagement is crucial if people are going to take the time to get involved and to continue to give us their views. Social media offers us some real opportunities to communicate the changes we make and this is an area where there is certainly potential to make our information more accessible to the general public in addition to the website which was launched this year. As part of the Cardiff Debate we will continue to explore the most effective ways of doing this.

In relation to the point raised regarding the categories used at the engagement sessions, we have already taken on board the feedback and incorporated a new voting option for Local Development Plan / Planning. However, regarding Health Services we need to be mindful that a large proportion of our residents do not focus so much on who delivers which service but are very interested in the outcomes that organisations deliver together, whether it be the lead responsibility of the Council, NHS or the Police. As we increasingly work more closely with our partners it is vital that the conversation about public services in Cardiff is owned jointly by our collective organisations and I was really pleased to see the commitment of our partners in supporting the engagement events and providing staff to assist.

At the Committee, Officers and I confirmed that this exercise was never a scientific exercise but one which engaged people in discussing priorities in an informal, non-intimidating and relaxed way at events where they felt comfortable. As some of the Committee members themselves confirmed, often people engaging were people that would never normally get involved in Council consultation and engagement sessions. We therefore need to use this tool to get people involved – alongside the more formal quantitative surveys.

The need to engage Cardiff's citizens in contributing to the future prioritisation, design and delivery of our public services is something that I believe all Members take seriously and, as community leaders, we are well placed to understand the most effective routes to make that happen. Therefore I would welcome any ideas and suggestions from Members about how best to engage people in their own wards over the next three years of the Organisational Development Programme and I look forward to hearing your feedback at future meetings.

Yn gywir,
Yours sincerely,

A handwritten signature in black ink, appearing to read 'Phil Bale', with a long horizontal stroke extending to the right.

**CYNGHORYDD / COUNCILLOR PHIL BALE
ARWEINYDD, CYNGOR DINAS CAERDYDD
LEADER OF THE CITY OF CARDIFF COUNCIL**

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 12 December 2014

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Item 9 Appendix F

Dear Councillor Bale,

POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE 2 December 2014 Corporate Plan 2015-17

Thank you for attending this month's Policy Review and Performance Scrutiny Committee meeting to present the approach to developing the 2015-17 Corporate Plan. The Committee warmly welcomed the opportunity to discuss the Plan at an earlier stage than in previous years, having recommended on several occasions that both the corporate planning and budget-setting processes should be brought forward. This was obviously the first step in making the development of the Plan more timely and we hope that next year we may have a full draft of the Plan to consider in the late autumn.

The Committee welcomed the outward focus which you and officers have taken to developing the Plan; we were glad to see that you have considered Core Cities' corporate planning to learn from good practice elsewhere. We note that a thematic approach will be taken, setting out objectives and measures under the Administration's four priorities, rather than taking a Portfolio-based view, in an approach similar to many of the Core Cities.

We appreciated the consideration given to the wider policy context for the Plan, in terms of aligning to national policy and the partnership agenda in Cardiff. The Committee has agreed to consider the refresh of the What Matters strategy when available, so would be grateful for confirmation of that timescale. Members of the Committee have previously recommended that the Plan should be developed in order to suit the needs of all its various audiences – partners, the public, regulatory bodies, officers – and although this was briefly discussed at the meeting, Members wish to underscore that point as the Plan is developed.

Members also welcomed the intention to include definitions of terms such as 'outcome' and 'objective' in the Plan in order to ensure clarity. As you recognised at the meeting, this is a point which both the Committee and the Wales Audit Office have raised in relation to previous years' Plans. Members queried whether training is being put in place to ensure that officers are fully cognisant of these definitions as the Corporate Plan and Directorate Delivery Plans are developed. We noted the Chief Officer's comment that this is being addressed through the Chief Executive's ongoing



engagement activity, but recommend that further thought is given to developing appropriate training instead, perhaps through the managers training programme.

The Chief Officer for Change & Improvement stated that the full draft of the Corporate Plan will be available to consider with the Budget Proposals at our February meeting. There have been many delays in making the report available for all five Committees in the past to support their consideration of the alignment of budget proposals to corporate priorities; we would like to re-emphasise how important it is that it is made available in a timely manner (in order to meet translation deadlines, for example, the Community & Adult Services Committee would need the final draft in the week commencing 19 January 2015, for example).

On a similar note, we were informed that much of the detail of the Council's improvement activity will now fall down to the next layer of Directorate Delivery Plans. Given the extra weight which is being placed on them, we anticipate that the Delivery Plans will be in place in time to support delivery of the Corporate Plan and the Budget, i.e. by 1 April 2015. We would be grateful if you would confirm the timescale for their production.

Members thank you for your openness to accepting the Committee's recommendations in terms of the content of the Plan. There were some points which the Committee felt should be accentuated in the final draft of the Corporate Plan, which did not necessarily stand out in the presentation given to the Committee: the NEETs agenda; the environment (particularly given the importance which the public place on this issue); education targets for older children; the impact of Cardiff's status as a Capital City and the work which is ongoing with neighbouring authorities, particularly given the local government reorganisation agenda.

An issue which has previously been raised is the need to clearly set out the influence which citizen – and officer – engagement activity has had on the development of the Plan. As this did not clearly come through in the officer's presentation, we recommend that the final draft Plan makes the linkages between the results of the Cardiff Debate and the objectives set out in the Plan unambiguous.

The Committee has flagged up the value of comparative performance data on many occasions, particularly with regards to non-Welsh authorities. We noted the Chief Officer's comment that this will be made available where possible, while acknowledging that it is not always feasible. We would still emphasise this point however, and recommend that more effort is put in to finding suitable comparators for inclusion in the final draft Plan for as many measures as possible.

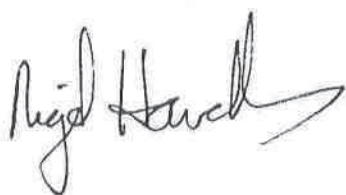
To re-cap for ease, the Committee asks that the following points are addressed:

- further thought should be given to how the Plan can be developed to suit all of its audiences;
- appropriate training for officers should be developed addressing knowledge around outcomes and objectives and the identification of appropriate measures and target-setting;
- a number of specific points should be emphasised in the Plan: the environment, NEETs, the city's Capital status and cross-boundary working;
- the influence of citizen and staff consultation on the Plan should be clearly set out;
- suitable comparative data should be included in the final draft Plan;

- the final draft Plan should be made available in time for all Scrutiny Committees' budget meetings (allowing time for translation for the Community and Adult Services Scrutiny Committee's papers);
- Directorate Delivery Plans should be in place for the start of the new financial year and we would like the timescales confirmed.

Many thanks again for attending the meeting, and I look forward to seeing the points above addressed in the draft Corporate Plan which the Committee considers in February. As such, most of the points in this letter do not require a formal response, although I would be grateful if you would confirm the planned timescale for producing the Directorate Delivery Plans, the What Matters refresh and the final draft Corporate Plan.

Yours sincerely,



COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Paul Orders, Chief Executive
Martin Hamilton, Chief Officer Change and Improvement
Cabinet Office
Members of the Policy Review & Performance Scrutiny Committee

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 12 December 2014

Councillor Graham Hinchey
Cabinet Member for Corporate Services and Performance
City of Cardiff Council
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Item 9 Appendix G

Dear Councillor Hinchey,

POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE 2 December 2014 Budget Monitoring 2014/15 and 2015/16 Budget Proposals for Consultation

Thank you for attending this month's Policy Review and Performance Scrutiny Committee meeting to discuss the current year's budget and the process for developing the 2015/16 proposals.

Budget Monitoring 2014/15 Month 6

While recognising that the overall Council position has improved since the Month 4 projections were reported, the Committee remains concerned about the Council's monitoring position. In particular, Members are concerned that many Directorate positions continue to show considerable variances against 2014/15 savings targets. Members questioned whether this was the result of 'poor budgeting' or 'poor management', feeling that both are likely to be true. You stated that challenge sessions with Cabinet Members and Directors are starting to bear fruit in ensuring that the budget position 'goes in the right direction' and that you are planning as far as possible to avoid scenarios such as the unanticipated costs in continuing healthcare which the Health and Social Care directorate has experienced this year. Given the underachievement against many Directorate savings proposals, the Committee would like to reiterate the point it has made on several occasions about the need for visibility and scrutiny of methods for achieving alternative savings.

Members were concerned about the effect of the delays in implementing savings proposals agreed as part of the 2014/15 budget, for example in finding a new management operator for St David's Hall. As a number of the 2015/16 budget proposals which have been put forward for consultation include similar projects, the Committee emphasised the need to drive forward such projects.

Members noted the considerable variance in the Capital Programme and in particular the slippage and overspend where the Education programme is concerned. We would like to bring this to the attention of the Children and Young People Scrutiny Committee and I have therefore copied this letter to the Chair of that Committee for information.



Budget 2015/16 – consultation proposals

Thank you for setting out the context of and process for developing the 2015/16 Budget Proposals. Having for some years pushed for budget proposals to be released earlier, the Committee very much appreciated that the public have been given a longer period during which to share their views. The Committee considered the Cardiff Debate methodology at its November meeting, and while there were divergent views among Committee members about the effectiveness of the programme, the principal of consulting on the budget at the earliest possible stage is one which we endorse. Although it is not an easy issue to solve, the Committee recommends that more is done to advertise the remaining engagement events and to ensure that those who prefer not to access online surveys are aware that they can obtain paper versions from some Council buildings. The Committee would also like to understand at what level of response (as a percentage of the population) the Cardiff Debate results will be judged to be statistically reliable, in comparison with similar budget engagement activities nationally. I would be grateful if this information could be provided. The Committee asks to have access to the results of the Cardiff Debate available at its February budget meeting, so I would be grateful if your officers would work with Scrutiny Services to ensure that they are available.

In terms of the proposals themselves, the Committee will be undertaking a more detailed scrutiny at its February meeting once the results of consultation are known and therefore did not get into detailed discussions at this meeting. However, given the Month 6 position, Members would like to reiterate the concerns which they expressed in previous years regarding the achievability of budget savings. Many savings seem to have been proposed in areas reporting shortfalls this year against similar savings targets. The Committee was concerned that this year no contingency seems to have been built into the budget proposals and recommend that this is addressed in the final proposals.

Directorate Budget briefings

Finally the Committee would like to express its thanks to the Cabinet Members and officers who attended the meeting to brief the Committee on their budget monitoring positions and to set out the process for developing the 2015/16 budget proposals. We appreciated their time and the contextual information which this item provided.

Thank you again for attending the Committee meeting. Although there are recommendations included in this letter, we will look to see how they are addressed in the final budget proposals in February, so there is no need to provide a formal response. However, I would be grateful for your assurance that the results of the Cardiff Debate will be available for our February meeting.

Yours sincerely,



**COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Councillor Phil Bale, Leader of the City of Cardiff Council
Councillor Richard Cook, Chair Children and Young People Scrutiny Committee
Councillor Dan De'Ath, Cabinet Member for Safety, Engagement & Democracy
Councillor Peter Bradbury, Cabinet Member for Community Development, Co-operatives and Social Enterprise
Paul Orders, Chief Executive
Christine Salter, Corporate Director Resources
Sarah McGill, Director Communities, Housing and Customer Services
Neil Hanratty, Director Economic Development
Marie Rosenthal, County Clerk and Monitoring Officer
Cabinet Office
Members of the Policy Review & Performance Scrutiny Committee

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THE CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AGENDA ITEM 10

POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE

6 January 2015

WORK PROGRAMME 2014/15 - UPDATE

Reason for the Report

1. To present an updated work programme to the Committee and to seek Members' agreement for a way forward for some of the items it contains.

Background

2. The Council's Constitution states that each Scrutiny Committee will set its own work programme for the forthcoming year (Scrutiny Procedure Rule 7). The Committee is tasked with constructing a work programme for the year ahead that ensures the time available to the Committee is used most effectively by considering items in a timely fashion that maximise the impact of scrutiny. A measure of flexibility must be retained in order to accommodate additional or substitute other items as they develop.

Issues

3. Members will find an updated draft Work Programme attached to this report at **Appendix A**. The Principal Scrutiny Officer will present the draft Work Programme at the meeting, highlighting any issues.

Way Forward

4. Members may like to consider and discuss the draft Work Programme, and decide whether they are content to approve it.

Legal Implications

5. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this

report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

6. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- i. Agree its work programme for the remainder of the 2014/15 municipal year.

MARIE ROSENTHAL

County Clerk and Monitoring Officer
30 December 2014

Policy Review & Performance Scrutiny Committee: Work Programme 2014-15											
02-Sep	30-Sep	04-Nov	02-Dec	06-Jan	DATE TBC	03-Mar	31-Mar	12-May	02-Jun	07-Jul	OTHER ITEMS DATE TBC
Corporate Plan & Budget Development & Delivery											
Budget Strategy 2015/16 & the Medium Term	Budget Monitoring Month 4		Budget 2015/16 - Directorate briefings & 2014/15 Month 6	Corp Assessment/ Organisational Development update	Budget Proposals 2015/16	Budget Monitoring Month 9	Directorate Delivery Plans	Directorate Delivery Plans		Budget Outturn	What Matters refresh
			Early draft Corporate Plan 2015- 17		Corporate Plan 2015- 17	Corp Assessment/ Organisational Development update					
			Budget Monitoring Month 6								
Performance & Improvement											
Performance Report Qtr 1	Public Engagement with Scrutiny inquiry response	Performance Report Qtr 2 & Challenge Forum update		Employee Costs options		Performance Report Qtr 3 Challenge Forum update	Social Inclusion In. Cardiff Council		Performance Outturn & Challenge Forum update	International Links/ City Networks	Relationship with Third Sector
Challenge Forum update	Communications Review/ Strategy & Capital Times update	Draft Property Strategy		Investment Property			Strategic Technology Partnership		Election management		Public Sector Property
Corporate Assessment				Voluntary Severance Review							Welsh Language Standards
Re-shaping Services											
Reforming Local Government White Paper		Organisational Development - Strategic Commissioning/ Service Reviews				Organisational Development - programme/ Scrutiny improvement	Organisational Development - Engagement & Improvement Programme			Organisational Development - Customer Programme	
		Organisational Development Debate									
Committee Business Items											
Correspondence	Correspondence	Correspondence	Correspondence	Correspondence	Correspondence	Correspondence	Correspondence	Correspondence	Correspondence	Correspondence	
Work Programme				Work Programme update					Work Programme	Work Programme	
									PRAP Annual Report 2014/15		
Improvement Inquiries											
Performance Panel											

Pre-decision scrutiny
Monitoring report
Policy Review & Development
Information reports
Inquiries
Italic = date to be confirmed

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