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AGENDA

Committee POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

Date and Time of Meeting TUESDAY, 10 MAY 2016, 4.30 PM

Venue COMMITTEE ROOM 4, COUNTY HALL, ATLANTIC WHARF, CARDIFF

Membership Councillor Howells (Chair)
Councillors Hunt, McKerlich, Murphy, Thomas and Sanders (3 vacancies).

1 Apologies for Absence

Time approx.
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 - 8)

To approve as a correct record the minutes of the meeting held on 12 April 2016.

4 Performance Management Refresh (Pages 9 - 28)

4.35 pm

- Councillor Graham Hinchey, Cabinet Member, Corporate Services & Performance, Paul Orders, Chief Executive, Christine Salter, Corporate Director Resources and Joseph Reay, Head of Performance & Partnerships.
- Members question and answer session.

5 Local Authority Trading Company - Commissioning & Procurement (Pages 29 - 62)

5.30 pm

- Councillor Graham Hinchey, Cabinet Member for Corporate Services & Performance; Christine Salter Corporate Director Resources, Steve Robinson, Operational Manager Procurement and John Paxton, Strategy and Development Manager, Commissioning & Procurement.
- Members question and answer session.

6 **Annual Report 2015/16** (*Pages 63 - 98*) 6.15 pm

7 **Way Forward** 6.45 pm

- Performance Management Refresh.
- Local Authority Trading Company – Commissioning & Procurement.

8 **Date of next meeting**

Tuesday 7 June 2016 at 4.30pm.

David Marr

Interim Monitoring Officer

Date: Wednesday, 4 May 2016

Contact: Kate Rees. Tel 02920872427. E.mail k.rees@cardiff.gov.uk

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POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

12 APRIL 2016

Present: County Councillor Howells(Chairperson)
County Councillors Hunt, McKerlich, Murphy, Thomas and Sanders

83 : APOLOGIES FOR ABSENCE

No apologies had been received for today's meeting. There remained 3 vacancies on the Committee as there were no nominations to March Council to fill current vacancies.

84 : 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.

COUNCILLOR	ITEM	REASON
Councillor Sanders	Item 4	Chair of Cardiff Foodbank

85 : MINUTES

The minutes of the 17 February 2016 and 8 March 2016 were approved as a correct record.

86 : DIRECTORATE DELIVERY PLANS 2016-18

The Chairperson advised there were four parts to this item, in order to cover all of the Committee's remit.

RESOURCES DIRECTORATE DELIVERY PLAN:

The Chairperson welcomed:

- Councillor Graham Hinchey, Cabinet Member Corporate Services & Performance
- Christine Salter, Corporate Director Resources
- Philip Lenz, Chief Human Resources Manager

The Chairperson advised Members that all of the services delivered by the Resources Directorate fell within the Committee's remit, spanning key corporate services that included Finance, Commissioning and Procurement, Human Resources, ICT, Performance & Partnerships.

The Chairperson invited Councillor Hinchey to make a statement.

Councillor Hinchey explained that the budget setting process would start earlier this year in order to allow more openness and transparency in the process. Engagement in the budget planning process was essential to include both staff and public in the procedure. Development and interest in the Cardiff Managers Programme was on-going with it being opened up to Grades 5-7. The Agile, Mobile & Scheduling agenda was progressing with staff being fully committed in its roll out.

The Chairperson invited Christine Salter to give a presentation.

The presentation outlined the following:

- Line of Sight
- Directorate Responsibilities
- Key Corporate Indicators
- Achievements
- Financial Targets
- Key Context & Challenges
- Business Priorities
- Planning for the Future
- Performance Measures

The Chairperson invited the Members to asked questions.

The Committee drew attention to Performance & Partnerships in the Delivery Plan and asked for clarity on the narrative stating “ Performance & Partnerships will continue to develop the capacity and resilience of the teams in this area, exploring and exploiting synergies between different areas of activity”

Officers explained that currently Performance & Partnerships included Policy Resources, Cabinet Office and Performance Team. These were small teams and the intention was to create virtual teams based on their skills and expertise. The teams would also benefit from wider opportunities. .

Workforce Planning mechanisms were already being developed to support succession throughout the organisation. ICT apprentices were being recruited, and the Council is working with Cardiff University to attract graduates.

The Committee was advised that developing alternative ways of working was on-going in order to meet the savings for 2016/17. New innovative methods were being created to develop centres of excellence to encourage smarter working practices. A cabinet report to establish a Local Authority Trading Company (LATC) for Commissioning and Procurement Services was scheduled for June. The Commissioning & Procurement team were already working for a number of other local authorities and so there was confidence that the LATC would be successful. Changes to parking enforcement practices would result in increased revenue for the Council as statutory fees for parking enforcement matters would be coming in-house.

Members of the Committee drew attention to the current position of the Temporary/Casual part of the workforce. Officers explained that engagement of this ‘peripheral workforce’ was just as vital as the ‘ core workforce’, in relation to developing the future of the organisation and its skills set. A balance was required to deliver the Council’s services, whilst meetings its budget savings.

Waste Management was an area that relied on a high number of agency staff to support service delivery. The introduction of the Alternative Delivery Models would result in different working arrangements supporting the same demands. An understanding of what the workforce would resemble was required, including increased flexible arrangements.

The Committee asked about strategies in place to support the workforce, including the gender and BME balances at management level. In response Officers assured to provide the Committee with the figures, as an accurate reflection was not available at that time. However, in Human Resources and Finance a substantial number of female employees were graded at Operational Management Level.

Members of the Committee were concerned that some employees were being granted voluntary severance only to be subsequently re-employed by the Council, some into the same job role. In response Committee Members were advised that the practice in question was changing from April 2015. The Trade Unions had raised concerns in respect of this issue and a decision by the Cabinet was agreed that following April 2015, an employee granted voluntary severance, could not return to the organisation within twelve months of departure.

The Committee was concerned with the number of agency workers with rolling contracts employed by the Council. This type of working practice didn't support good staff morale and the Council should give an undertaking to ensure that agency/temporary staff were given permanent employee status after a certain period of time.

The Committee was assured that further methods of staff engagement were being developed, with attendance at Employee Roadshows. The Workforce Strategy Programme was supporting staff development embarking on 5 key areas:

- Employee Voice
- Employee Engagement
- Learning & Development
- Performance Management
- Health & Wellbeing

The Chief Executive and Corporate Directors were taking responsibility for delivery of each strand as follows:

- Christine Salter – Health & Wellbeing
- Paul Orders, Chief Executive – Employee Engagement
- Andrew Gregory – Learning & Development
- Sarah McGill – Performance Management

The Committee was advised the LATC for Commissioning and Procurement was in the process of being established and therefore savings had not been realised. Procurement Services had supported the savings in excess of £12M over 3 years.

ECONOMIC DEVELOPMENT DIRECTORATE DELIVERY PLAN

The Chairperson welcomed:

- Councillor Phil Bale, Leader of the Council
- Councillor Graham Hinchey, Cabinet Member Corporate Services & Performance
- Neil Hanratty, Director Economic Development
- Helen Jones. Strategic Estates Manager

The Chairperson advised Members that for this Directorate the services within scope under the Committee's Terms of Reference were International Policy and Strategic Estates, which included management of both the operational and non-operational commercial investment portfolios. Councillor Bale had responsibility for International Policy and Non- operational property and Councillor Hinchey had responsibility for Operational policy.

The Committee received a presentation from Neil Hanratty which outlined:

- Directorate Responsibilities
- Key Corporate Indicators
- 15/16 Achievements
- Corporate Plan Commitments
- Business Priorities
- Performance Measures

The Chairperson invited Members to ask questions.

Members of the Committee were provided with information on the current position with the maintenance of schools. Economic Development was not responsible for facilities management of schools, but responsible for strategic schools property matters. It was however, vital to improve the quality of school's as they formed the largest part of the Council's estate.

The Committee drew attention to Staff Numbers & Characteristics noting that 67 members of staff in the directorate ranged between the ages of 55-64 and asked what succession planning had been put in place. In response, officers explained the figure related to the 'full time equivalent', there were also casual and temporary staff supporting events. It was essential to cope with the savings targets and therefore age was less of a concern than maintaining the service.

Members of the Committee were advised that Culture & Events had moved into the Directorate last year resulting in a higher sickness figure. The sickness target had now been amended to reflect and support this.

The Committee discussed the RAG status and were assured that the red status was marked as deliverable.

The Committee was advised that in 2009 the Council made a decision to ring fence recruitment to secure jobs internally. A Workforce Strategy was now in place to support recruitment and development; which supported future placements for young person's leaving schools and reflected the population of Cardiff.

Officers explained to the Committee a Corporate Asset Management Plan was in place and being considered by Cabinet in May, which set out priorities in relation to supporting and investing in Estates. Ideally properties with potential to generate investment were being targeted along with analysis of community buildings. The JLL report outlined the potential of assets, with opportunities to generate income to support projects. The value of estates was analysed to consider both their social and wider usage .

The ADM model proposals for St David's Hall and New Theatre was on-going. One bidder had been established and the scope for savings was being addressed. The two venues in question had received reduced subsidies for 2016/17 and savings had been realised in 2015/16. A Community Interest in these venues had come forward and was being considered. It was noted that both venues delivered higher revenues with events this year than in previous years.

The Committee drew attention to International Policy, and the decline in the Cardiff Business Council. In response Councillor Bale explained the Council were moving forward with the City Deal and the South East Wales City Region, a business organisation operating as the voice for business in this area. Euro Cities was operating to strengthen links by means of twinning, including socio economic associations. The budget for International Policy was withdrawn and is now seen as a legacy item. The intention was to maintain relationships with twin cities more informally and continue to host and promote events in the city.

COMMUNITIES, HOUSING & CUSTOMER SERVICES

The Chairperson welcomed:

- Councillor Graham Hinchey, Cabinet Member for Corporate Services & Performance
- Isabelle Bignall, Assistant Director Customer Services and Communities

The Chairperson reminded Members that most of the work of the Communities, Housing and Customer Services Directorate falls outside of the remit of this Committee. Within scope were Community Hubs, Corporate Customer Services (including Corporate Complaints and the Member Enquiry Service), Technical Corporate Customer Service and Connect to Cardiff (C2C).

Councillor Hinchey explained that C2C had won a contact centre award beating competitors from the private sector.

The Committee received a presentation which outlined:

- Directorate Responsibilities
- Key Corporate Indicators
- Achievements
- Corporate Plan Commitments
- Delivery Plan Commitments
- Performance Indicators

The Chairperson invited Members to ask questions.

Committee Members drew attention to the email response rates of C2C. Officers advised that the system would generate an automated response to an email. A full response should be sent within 24 hours, however if the issue was complicated in nature a holding response would be sent indicating that advice was being sought on the matter. Directorates were required to respond and this process could be tracked.

The Committee was advised that the reduction in queue time was a result of shrinking C2C opening times, which resulted in excessive calls during the lunchtime period that could not be resourced. Extended opening times were introduced using identical staffing resources, which allowed for customers to call after 5pm, lowering the high demand that occurred during the lunchtime period. This resulted in staff accessing and resolving more calls during this period.

Members were advised that the preamble at the outset of a call was essential. Even though the workforce was multi-skilled, there were specialist teams to support certain queries, which had to be chosen by the user at the outset of the call.

The Committee discussed the Members Enquiry Service and suggested that the service didn't resolve issues as quickly as C2C, and there was no notification of when cases were closed.

Officers acknowledged that whilst the Member Enquiry Team had knowledge overall, C2C provided specialist advice on matters in relation to waste management, highways and council tax and also provided a close down report.

The Committee was keen to learn how the Council dealt with complaints published on social media accounts. In response, Officers explained that profiles of the tweets/comments were observed and kept, responses were also provided by the Web Team.

Members of the Committee were provided with information on sickness levels. Trends did occur as a result of the dynamics of a close working environment being responsible for short term sickness. Issues relating to stress were monitored. It was noted that telephony working environments attracted younger personnel.

The Committee was advised that staff preferences were taken into account when allocating work streams. Specialist streaming was in place with staff having the knowledge to deal with specialist calls. Some calls were obviously more complex than others, and there were dedicated coaches on site to support this. Staff could rotate their work-loads on a choice basis, however, the more complex calls, Council Tax, and Housing Benefit for example, were handled by a specialist team.

Officers advised that a review of Members Services support was in the pipeline..

GOVERNANCE AND LEGAL SERVICES

The Chairperson welcomed:

- Councillor Daniel De'Ath, Cabinet Member Safety, Skills, Engagement & Democracy
- David Marr, Interim Monitoring Officer

- Elizabeth Weale, Legal Manager
- Paul Keeping, Scrutiny & Equalities Manager

The Chairperson reminded Members that all of the services delivered by the Governance and Legal Services Directorate fell within the Committee's remit and comprise corporate support services such as Members Services, Electoral Services, Equalities, Legal and Scrutiny Services.

Councillor De'Ath explained this was a small department, supporting the democratic function of the Council. This service was valued by both councillors and officers. The introduction of the Welsh Language Standard was being supported and it was essential to maintain and develop the bilingual service. Challenges lay ahead with introduction of the Local Government Bill and Equalities Act.

The Committee received a presentation which outlined the following:

- Directorate Responsibilities
- Key Corporate Indicators
- 15/16 Achievements
- Directorate Priorities
- Other business priorities
- Performance Measures

The Committee drew attention to Welsh Language measures in place and asked if the Council was compliant. In response officers assured the Members that the Council was in a good position and targets were being met. If the Council was considered non-compliant, sanctions of a £5000 fine could be imposed and therefore safeguarding was in place.

Members of the Committee were advised benchmarking and research functions were a part of the Scrutiny function. Both the production of a benchmarking report and a Scrutiny review were under development

The Committee was advised that KPI DS03 was historic, with 77% of the recommendations agreed by Cabinet. These issues would also be part of the Scrutiny Chairperson's Personal Performance Development Review (PPDR) and the Members Satisfaction Survey.

RESOLVED: That the Chairperson of the Policy Review and Performance Scrutiny Committee write to the witnesses to thank them for attending the meeting and set out the comments made by Members (letter attached)

87 : COMMUNITY INFRASTRUCTURE LEVY: JOINT TASK & FINISH REPORT OF ALL FIVE SCRUTINY COMMITTEES 6:40PM

The Committee welcomed:

- Councillor Paul Mitchell, Chairperson of the Environment Scrutiny Committee and CIL task group
- Richard Bowen, Principal Scrutiny Officer

The Chairperson advised Members that they were invited to consider and agree the final report of a joint task and finish exercise to review options for the implementation of the Community Infrastructure Levy in Cardiff.

Councillor Mitchell and Richard Bowen presented the findings to the Committee.

The Committee was asked to consider the report, make any amendments and agree whether to approve the content of the report. Should the Committee endorse the draft report, the Chairperson would present it to the Cabinet. The Cabinet would then respond to the report and their response would be brought back to Committee for discussion.

The Committee provided comments on the following recommendations:

- Recommendation 1 – Residential Outer Zone, concerns with the S106 contributions £250 per sqm. Agreed on basis of a 2 year monitoring of S106 contributions
- Recommendation 2 – Agreed
- Recommendation 3 – Agreed
- Recommendation 4 – Concerns were raised with increase in the student population of the city and Members suggested increasing the rate from £100 per sqm. Suggested the language should be strengthened to reflect this.
- Recommendation 5 – Agreed
- Recommendation 6 – Agreed
- Recommendation 7 – Agreed
- Recommendation 8 – Agreed
- Recommendation 9 – Agreed
- Recommendation 10 – Agreed
- Recommendation 11 – Reference to the Housing Partnership Programme, this depended on scale and if they were based within the strategic sites.
- Recommendation 12 – Agreed

RESOLVED: The Committee AGREED to accept the recommendations in the report.

88 : DATE OF NEXT MEETING

Tuesday 10 May 2016 at 4.30pm

**CITY AND COUNTY OF CARDIFF
DINAS A SIR CAERDYDD**

**POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE**

10 May 2016

PERFORMANCE MANAGEMENT PROGRAMME - REFRESH

Purpose of this Report

1. To outline proposals for developing the Council's current Performance Management arrangements, building on the progress made by the Council in the previous two years, to further improve and embed an effective and consistent approach.

Reason for the Scrutiny

2. To offer Members of the Policy Review and Performance Scrutiny Committee an opportunity to shape the way forward by taking part in pre-decision policy development of the Council's approach to managing performance.

Background

3. The Committee has clear responsibility within its Terms of Reference for scrutinising, monitoring and reviewing the effectiveness of the implementation of the Council's policies, aims and objectives and making recommendations which may enhance Council performance. This responsibility includes oversight of arrangements in place to manage, report and challenge Council performance.
4. In March 2016, having considered the Wales Audit Office (WAO) Corporate Assessment Follow On Report, the Committee endorsed the external regulator's

view that it is important the Council builds the capacity and mechanisms for internal challenge and self assessment.

5. With specific regard to the *WAO Proposals for Improvement in Performance* arrangements, the Committee was advised there was a need for more consistency around performance management and benchmarking; that the framework and mechanisms for effective performance management and reporting were already in place, but that there is scope for further improvement; and particularly scope for strengthening the relationship between the Central Performance Team and Service Directorates.
6. At that time the Committee indicated it would take up the Cabinet Member's offer of consulting closely with Members to shape refreshed proposals prior to the implementation of new performance reporting arrangements.

Scope of the Scrutiny

7. In February 2016 the Council recruited a new Head of Performance and Partnerships to continue its performance improvement journey. The proposals for refreshing the Council's performance management approach have been under development and are now at a point that is appropriate to engage with Members in line with the WAO's Proposal for Improvement (P1) issued to the Council.
8. Members are invited to consider the proposals outlined in this report, and the presentation attached at **Appendix A**, to be delivered by the Head of Performance and Partnerships at Committee.
9. Following the presentation Members will be invited to discuss and challenge the proposals, to constructively inform the Council's performance improvement journey.

The Council's Strategic Planning Framework

3. The Council's integrated strategic planning framework to deliver its vision of Cardiff as 'Europe's most liveable Capital City' spans **City Performance**, via the *What Matters* Single Integrated Plan and *Liveable City* Report; **Council Performance** via the *Corporate Plan*; **Directorate Performance** via Directorate Delivery Plans; through to **Individual Performance** via Personal Performance and Development Reviews.

4. The *Corporate Plan 2016-18* was approved at Council on 25 February 2016. It set out four Priorities and 12 Improvement Objectives for Cardiff. The four Priorities are listed as:
 - a. Priority 1: Better education and skills for all;
 - b. Priority 2: Supporting vulnerable people;
 - c. Priority 3: Creating more and better paid jobs;
 - d. Priority 4: Working together to transform services.

12. The Council has welcomed the Wales Audit Office's (WAO) assessment of the its progress over the last two years, and acknowledged that momentum must be maintained to enable the Council to deliver improved services and better outcomes for the citizens of Cardiff within the next 12 months. Therefore the Council's Statement of Action addressing the 14 Proposals for Improvement identified in the *Corporate Follow On Report* promises to bring forward a report on the review and reshaping of the Council's Organisational Development Programme (ODP) for consideration by the Cabinet and scrutiny in June 2016.

Performance Management Programme - Introduction

10. The starting point when considering any performance management system is asking "*how do we know if we are successful?*" The answer entails also answering "*what does success look like?*". These two questions should be central to the way in which the Council collates, reviews and, above all, uses its performance information as part of a robust, proactive approach to Performance Management.

11. The Council is committed to achieving four Priorities and 12 related Improvement Objectives, as well as contributing towards the achievement of the seven shared *What Matters* Outcomes.
12. Therefore as an organisation the Council knows what success looks like – if the Council has done everything within its power as both a local authority and an effective leader of local systems, partnerships and networks, then these priorities and objectives will be achieved. However, this leaves the question “*how we do know if we are being successful?*”
13. The Council needs to establish an approach to Performance Management that provides robust mechanisms to establish whether or not it is being successful in achieving its high-level objectives, as well the levers to implement mitigating action where success is not currently being achieved. Furthermore, these processes must extend throughout the organisation to ensure that the right types of information are in use at the right organisational levels, in order to inform different levels of decision-making.
14. Performance Management is about using performance information – of all types and from all sources – to take action that means the Council achieves outcomes that are better than would otherwise have been achieved.
15. It is critical to understand that Performance Management is not only essential to achieving outcomes, but that it is also critical to the role of everyone in the Council, especially those with managerial or leadership responsibilities. In short, it *is* the day job.
16. Historically local government has faced a greater challenge to its ability to add value through performance management due to the responsibility of measuring and reporting on statutory indicators. However the Council can commit to measuring statutory indicators, performing well in these areas, *and* to measuring and using information which accurately informs managers how successful their team(s) are in achieving the outcomes they have set out to achieve.

17. The aim is to move the Council to a culture of accountability, where challenge is welcomed and support is sought. The proposals outlined in this report are important because of their ability to effect that change.

The Proposals

Develop robust, outcomes-focused Balanced Scorecards for consideration by Cabinet and the Policy Review and Performance Scrutiny Committee.

18. Cabinet and this Committee both have explicitly and intrinsically strategic remits: Cabinet to set the strategic priorities and policies, and PRAP to serve as the 'critical friend' of the organisation in ensuring the Council is able to achieve its strategic priorities, and as stakeholders in the formulation of policies.

19. Within this context, performance information should focus on how the whole Council is progressing in achieving the priorities that matter most to the City of Cardiff and its residents. Current levels of information might be considered to hamper proper engagement within these environments. A focused set of information, providing Members with an 'at-a-glance' understanding of whether or not the Council is successful in achieving the priorities that matter, would be conducive to allowing both to better fulfil their primary remits.

20. Seventy-seven Performance Measures were specified in the 2015-17 Corporate Plan. Such a large number of measures create a volume of information that provides barriers to strategic-level discussion and decision-making: audiences will either struggle to engage with the information, or get drawn into discussion of specific and familiar areas of detail.

21. It is therefore proposed that reporting to both Cabinet and PRAP centres on a smaller, focused set of indicators; it is suggested that, for any one meeting, a small number of indicators (the ideal would be twenty) are reported in the format of four Balanced Scorecards: one for each of the Council's priorities, focussing on the achievement of outcomes. The indicators selected give a strategic picture of:

- How successful the Council is in achieving the outcomes that matter most (its four Priorities)
- How successful the Council is in closing the gap in areas that are currently considered 'priority areas of improvement'.

22. Information not held within these Balanced Scorecards will still exist; PRAP and Cabinet will be able to request additional datasets at any time. The key principle is that both PRAP and Cabinet receive a much more focused set of information that enables them to better exercise their strategic functions than will otherwise be possible.

Reduce scope and size of Directorate Delivery Plans

23. The current format of Directorate Delivery Plans (DDP) means too much information is reported to enable robust, focused discussion. The content of the Plans therefore requires review, with a consistent approach taken to ensure they focus on the strategic outcomes, activities and performance targets each Directorate has in place. Information currently included within DDPs that falls outside of this new scope will be included within Service Plans.

Introduce service planning across the Council

24. A robust, consistent and *proportionate* framework of service planning will allow the Council to better distribute performance information. It will also create a stronger 'golden thread' throughout the organisation, linking the achievement of strategic objectives through to operational outcomes, therefore providing greater 'line-of-sight'. This in turn will increase the engagement in performance management across the organisation. A strong service planning framework will also help to centre the Council's performance management culture on accountability. Furthermore, a service planning framework will provide an avenue through which to link cross-cutting priorities such as equalities, the implementation of the Wellbeing of Future Generations Act, and community safety, to operational activity.

Establish a Performance Support Board

25. The Council's current approach to performance management concentrates the use of performance information within the most strategic parts of the organisation. It is important to ensure that these strategic audiences are considering strategic performance issues. It is therefore critical to ensure that underneath the strategic layer there are mechanisms in place which allow for effective engagement in and support of operational performance issues. In parallel with developing a coherent cross-organisation approach to service planning – which will, by default, create a new body of consistent performance information – the Council should consider introducing a Performance Support Board (PSB) model, to provide support to service performance, allowing Cabinet, PRAP and the Senior Management Team (SMT) to focus on strategic performance issues.

26. Although Terms of Reference are still in development, it is expected that the primary roles of the PSB will be to support specific areas of service improvement, investigate areas of performance that are highlighted by robust data analysis and provide a corporate overview for those performance measures that do not go to SMT, Cabinet or PRAP as standard. This will be especially helpful in enabling the organisation to have confidence that measures mandated by Welsh Government but not included in Outcomes-focused scorecards are receiving due attention.

27. Each service has a lead performance officer who will, together with the central Performance Team, analyse and challenge work to help inform the PSB's agenda. This will ensure that the wider performance management community feels more engaged and valued, as their work will provide a key impetus to the work of the Board.

Improve timeliness of reporting

28. With this refresh of performance arrangements the Council will examine opportunities to increase the speed with which information flows through its performance-related processes. An essential part of moving the organisation away from *monitoring* performance and onto *managing* performance is providing

information within a timescale that allows the use of data to influence decision making and prompt appropriate intervention.

29. This will require the organisation to commit to non negotiable deadlines for the return of performance information for the purposes of challenge and report collation; and to accept the use of draft performance information at earlier stages in the performance reporting process. While the final reports for Cabinet and PRAP should always contain confirmed information, the reports that are used by the Performance Support Board and SMT can contain draft performance information, provided it is flagged as such.

Publish performance information on the internet

30. In order to reinforce the Council's move to a culture of accountability, this refresh of performance arrangements presents an opportunity to enable Cardiff residents to access key performance information in a way that is immediately engaging. Similarly, the Council's staff should have access to online performance information that helps them understand the contribution they are making towards achieving organisational aims. It is therefore proposed that the Council publishes information about its performance on cardiff.gov.uk.

31. The published information would focus on the outcomes the Council is trying to achieve – the four Priorities – and therefore correlate to the performance measures used at Cabinet and PRAP. Information will be presented in a way that is engaging to a wide variety of people by using a form of infographic presentation. The aim would then be to report on all measures (in spreadsheet or similar format) in time.

Refresh the Council's Performance Management Strategy

32. In light of recommendations made in the Welsh Audit Office's latest report, the Framework element of the Performance Management Strategy will be updated to include guidance around timelines that support current processes. The most significant aspect of this refresh will be embedding it into the organisation's culture. Mostly, this will be achieved through changing practices as outlined

above. However, ensuring that the Council's Performance Management Strategy is acknowledged, understood and used will require the Central Performance Team to engage and work proactively with service managers and performance leads.

Legal Implications

33. 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

34. 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

The Committee is recommended to:

- i. consider the information in this report and presented at the meeting;
- ii. decide whether it wishes to make any comments or recommendations to the Cabinet Member and Head of Performance and Partnerships.
- iii. factor discussion of performance matters into the Committee's work programme for 2016/17.

JOSEPH REAY

Head of Performance & Partnerships

4 May 2016

Performance Management Programme

Policy Review and Performance
Scrutiny Committee

10 May 2016

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Principles of the Approach



- Outcomes Focused
- Culture of Accountability
- Strong Golden Thread
- Proactive Performance Management

Five Key Projects



Performance & governance

Business Planning

Reporting

Challenge

Open Data

Review of Scrutiny

Member Support and Induction

Workforce Strategy

Health & Wellbeing

Learning & Development

Workforce Planning

Performance Management (Engagement)

Employee Voice

The Projects



Project	Outcome
<p>Business Planning</p>	<p>An effective planning framework based on sets of practical, proportionate plans that are clear about who is accountable for achievement, and which are used by appropriate audiences to ensure a robust line of sight across the Council</p> <p>The Council has a robust body of evidence that informs its decision-making and allows it to demonstrate how successful it has been in meeting its identified priorities</p>
<p>Reporting</p>	<p>A reporting framework that uses robust data to give the right information at the right time to the right people to ensure performance across the Council is proactively managed in a way that is transparent to staff and public alike</p>

The Projects (continued)



Project	Outcome
Challenge	An organisation whose culture welcomes constructive challenge at both officer and Member level to enable delivery of continued improvement and accountability across the Council
Engagement	Empowered staff who understand that Performance Management is an integral part of their role, how their work contributes towards achieving the overall goals of the organisation and who engage in an effective appraisal and development process
Open Data	Publishing Data in ways that will allow citizens, communities and businesses to consume data in a variety of ways leading to better community involvement in service delivery and also supporting the establishment of technology industries to better understand data

Business Planning – key Outputs

- Better integration with Corporate Planning
- Refreshed Directorate Delivery Planning framework
- New Service Planning approach
- All Plans are SMART
- Robust RAG rating

Reporting – key Outputs



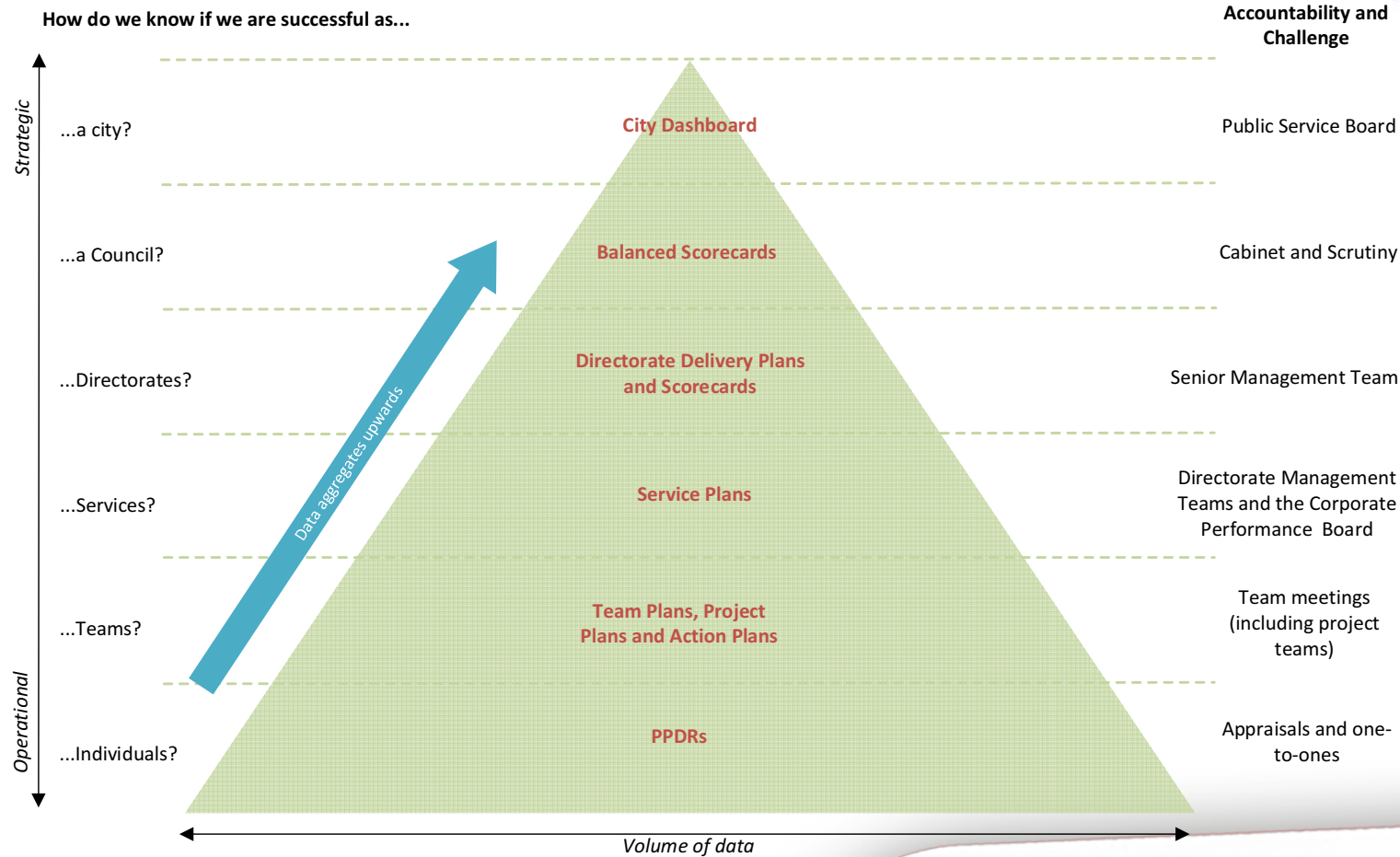
- Balanced Scorecards for reporting to Cabinet and PRAP
- City Dashboard for Public Services Board
- More frequent and timely reporting
- Publication of performance information on the internet



Challenge – key Outputs

- A Performance Support Board that supports service improvement and commissions specific pieces of improvement work (e.g. service reviews)
- Continue to support Member's use of performance information

The Data Pyramid



The Role of PRAP



- Co-design elements of the programme – Cabinet/PRAP Balanced Scorecard
- Continue to scrutinise the overall performance of the organisation
- Scrutinise performance of the Public Services Board

**CITY AND COUNTY OF CARDIFF
DINAS A SIR CAERDYDD**

**POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE**

10 May 2016

**LOCAL AUTHORITY TRADING COMPANY
COMMISSIONING & PROCUREMENT**

Reason for this Report

1. To provide Members with information that outlines the business case for establishing a Local Authority Trading Company (LATC) for the Commissioning and Procurement service, in preparation for Scrutiny.

Purpose of the Scrutiny

2. To undertake pre-decision scrutiny, considering three options for delivering Commissioning and Procurement through a LATC, prior to consideration by the Cabinet on 19 June 2016.

Background

3. The Council's 2014/15 budget set the Commissioning and Procurement Service a savings target of £307,000, equating to a reduction of around 12 full time equivalent posts. A budget proposal was submitted to deliver £180,000 through service restructure and £160,000 through external revenue via a Local Authority Trading Company (LATC) which would transfer to an Employee Mutual after 3 years.

4. The Council's *Corporate Plan 2015/2017* recognised the need to identify business models that could be established to meet service demand pressures and reflect budget realities, and to identify how services could become effectively commercialised.
5. Attached at **Appendix 1** is the Business Case developed for creating a LATC for the Commissioning and Procurement service. This report sets out the options available to the Council to trade procurement and commercial services.

Issues

6. The Business Case proposes that the Commissioning and Procurement Service will seek to sell a broad range of procurement and commercial services covering advice, guidance and support. It will focus on delivering improved value for the public sector and improving the capability of organisations it works with.
7. The Business Case attached addresses five areas:
 - a. the Strategic Case – *pages 3-8*
 - b. the Economic Case – *pages 9 – 17*
 - c. the Financial Case – *page 18*
 - d. the Commercial Case – *pages 19 – 24*
 - e. the Management Case – *page 25*.
8. The report recognises that an important part of any business case is giving proper consideration to a range of options that can meet the business needs set out in the Strategic Case.
9. As the Strategic Case is predicated on the generation of external revenue and retention of employees the Council has considered the following three options:
 - To continue trading as the City of Cardiff Council, generating revenue by charging public sector bodies for services.

- To create an Employee Owned Mutual which is owned by current Council employees which trades with public bodies and partners with private sector organisations to bid for and deliver services.
- To create a Local Authority Trading Company, generating revenue by charging public sector bodies directly for services and partnering with private sector organisations to bid for and deliver services.

10. The Proposal is made on the basis of:

- Reducing the Commissioning and Procurement budget – initially by £307,000 but potentially to statutory level only.
- Retaining access to experienced and knowledgeable staff.
- Retaining the flexibility to meet demand across a broad range of knowledge.
- Giving staff control over their own future.
- Giving staff the opportunity to develop existing skills and capability.
- Continuing to deliver value for Cardiff and the wider public sector; whilst receiving recognition and reward commensurate to effort and risk, and eventual ownership of an employee mutual.

11. This option would see the creation of a Local Authority Trading Company specifically for trading of procurement and commercial expertise which is wholly owned by the Council. Staff would remain employees of the Council with 'spare capacity' purchased by external customers at 'full cost plus mark-up'.

12. The service would be able to work with private sector clients and recharge at profit. The company is relatively simple and straightforward to establish; there are no conflict of interest issues; it allows a wider range of Council staff to participate in trading activity; and will provide a profit income stream for the Council.

Way Forward

13. Councillor Graham Hinchey, Cabinet Member for Corporate Performance and Resources will be in attendance. Also in attendance will be Steve Robinson, Operational Manager Procurement, and John Paxton, Strategy and Development Manager. Members will receive a presentation and have an opportunity for 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 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

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.

RECOMMENDATION

The Committee is recommended to:

- (i) Consider the proposal to create a Local Authority Trading Company for Commissioning and Procurement.
- (ii) Agree any comments and observations it may wish to pass on to the Cabinet for consideration on 19 June 2016.

DAVID MARR

Interim Monitoring Officer

4 May 2016

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Commissioning and Procurement
Local Authority Trading Company
Business Case

Steve Robinson

2nd May 2016

Version 0.3

Draft

This Business Case template has been developed using the Office of Government Commerce (OGC) “Five Case Model”, the best practice standard recommended by HM Treasury for use by Public Sector bodies when planning a public sector spending proposal.

You may need to obtain guidance and advice from central functions such as Finance, Procurement, Enterprise Architecture, ICT, HR and Legal as you develop your business case.

All Business Cases must be submitted to the Investment Review Board for approval.

1. The Strategic Case

This section provides an overview of the strategic case for change.

1.1 Background and Brief Details of Proposal

The 2014/15 budget set the Commissioning and Procurement (C&P) service a target to deliver savings of £307,000 within three years, i.e. by the end of FY 2017/18. It was acknowledged that a saving of £307,000 would essentially equate to a reduction of eight to twelve posts within the C&P service, and would necessitate a significant reduction and consolidation in the scope of service provision to Directorates.

In response to this savings target the C&P Management Team submitted the following budget proposals:

- Restructure the team to deliver £180,000 of savings (which was completed in 2015/16).
- Trade procurement and commercial services externally to generate minimum external revenue of £160,000

	2015/16	2016/17	2017/18	Total
Savings Target	85	129	93	307
Service Restructure	180			180
External Income Generation	30	60	70	160
Total Proposed	210	60	70	340
Variance	125	(69)	(23)	33

The proposal to trade procurement and commercial services externally, rather than further reduce the number of posts was made taking into account the following Council and employee requirements.

What the Council wants?

- To reduce C&P budget – initially by £307,000 but potentially cut back to statutory only
- At the same time it wants to retain access to experienced and knowledgeable employees
- With flexibility to meet demand across a broad breadth of knowledge

What employees directly affected want?

- Control over their own future given level of uncertainty
- Opportunity to develop existing skills and capability
- Continue delivering value for Cardiff and the wider public sector
- Receive recognition and reward commensurate to effort and risk
- Eventual ownership of employee mutual

1.2 Why would organisations want to work with us?

Our research and discussions with potential private sector partners shows that there is a shortage of good public sector procurement capability within the public and private sectors across the UK.

The Councils' Commissioning and Procurement Service was established in 2011 to support delivery of an ambitious strategy (Commissioning and Procurement Strategy 2011-2015) which aimed to improve the way in which procurement was managed across the Council and drive a more commercial mind set and approach. Over the past four years the service has supported the Council to deliver cumulative savings totalling £40 million, significantly improved our governance and risk management arrangements and helped the Council deliver against its policy aspirations through use of Community Benefits and innovative supply chain solutions.

At the heart of this change has been the adoption of new ways of working (category management and strategic sourcing) and the recruitment and development of an excellent team whose achievements have been recognised through a number of prestigious awards including:

- **PROACTIS** – won the Best Public Sector Procurement Project 2014.
- **Welsh National Procurement Awards 2015** – won the “Innovation through Procurement Award”. The Team was also shortlisted for three other awards.
- **SOPO Awards 2015** – The Team won two awards “Outstanding Savings Delivery” and “Procurement Team of the Year” at these UK wide awards.
- **GO Procurement Awards 2016** – The C&P Team was Highly Commended in the public sector “Procurement Team of the Year” category and also shortlisted in the public sector “Innovation of the Year” category in the UK’s premier awards.

This improvement in performance was also recognised through a Welsh Government commissioned Procurement Fitness Check where the Council’s performance was assessed and compared to other public sector organisations across the UK and Wales by the accountancy firm KPMG in 2014. The Council’s overall procurement maturity was categorised as “Developing towards Advanced” and “Advanced” in terms of Procurement Leadership, Strategy and Performance. Below is a brief summary of the results of that assessment.

Model Dimension	Comparison	Welsh Gaps	UK Public Sector Gaps	Comments
Procurement leadership & governance		29	42	Clearly defined procurement strategy driven by a central team, strong Head of Procurement
Procurement strategy & objectives		40	30	Procurement strategy defined and driving transformational journey
Defining the supply need		29	10	Still developing working with Directorates to define more flexible solutions/outcomes
Commodity/project strategies and collaborative procurement		21	15	Journey to maturity ongoing, increasing team skill sets in this area
Contract and supplier management		22	2	Is the next focus area of transformational procurement journey
Key purchasing processes and systems		17	23	Currently reviewing the functionality of PROACTIS for purchase by organisation to enhance outputs
People		26		Ongoing development of individual up-skilling within the centralised team
Performance management		43	28	Foundations in place, new systems being investigated will increase this score in the future

● Cardiff Average Maturity Grade
 ● Average of Welsh Authorities
 ● UK Public Sector Benchmark

These achievements have been increasingly recognised across the UK and beyond with requests to speak about them in Europe and beyond.

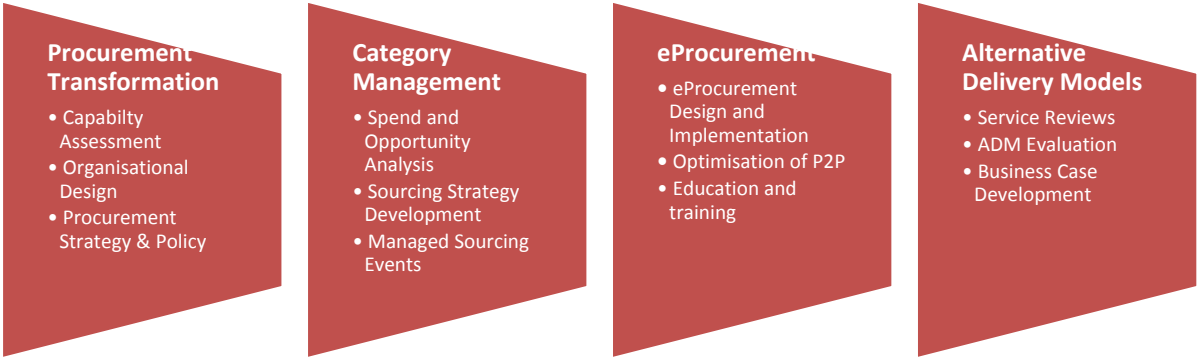
As a result of this increasing profile there have been ongoing discussions with a number of private sector companies who are keen to partner with the Commissioning and Procurement service to deliver procurement and commercial services to both existing and new public sector clients. These organisations are keen to utilise the skills and knowledge within the team, in particular the fact that we have successfully implemented category management within a public sector organisation and used technology to deliver a number of innovative procurement solutions.

In addition conversations with two Welsh Universities have also indicated that there are opportunities to work collaboratively across the UK, Europe and beyond.

1.3 What services would we offer?

It is our current intention that the Commissioning and Procurement Service will seek to sell a broad range of procurement and commercial services covering advice, guidance and support. It will focus on delivering improved value for public sector and improving the capability of organisations we work with.

The diagram below provides a high-level overview of the procurement and commercial services the offered.



Although we are confident that we have the capability to deliver these services it is acknowledged that our experience has been primarily limited to the Council and that our levels of maturity will vary. Therefore partnering with other private sector organisations that have a proven track record within these areas will allow us to gain access to business opportunities which may otherwise be restricted and provide an opportunity to build on existing capability and experience. It is important to recognise that the service will also be able to use this improved maturity to the benefit of the Council by bringing improved commercial knowledge and skills back into the Council.

1.4 How does this fit with the Council's strategic priorities?

The City of Cardiff Council is committed to delivering a vision for Cardiff to be **'Europe's most liveable capital city'** against a backdrop of pronounced financial pressures and increasing demand for public services.

The Chief Executive's May 2014 report *"Establishing a Programme of Organisational Change for the City of Cardiff Council"* set out the Cabinet's response to the critical challenges being faced by the City of Cardiff Council ("the Council"). It stated that a business as usual mind-set, alongside indefinite salami-slicing of budgets will simply lead to a decline in public services, dissatisfaction amongst users, and poor employee's morale.

The Council's Corporate Plan 2015/2017 recognised the need to identify business models that may be established to meet demand pressures and reflect budget realities and to identify how services can be effectively commercialised.

Although the initial driver for this business case was focused on retaining existing resources in the face of budget cuts, we believe that this model provides us with an opportunity to be more ambitious. The Council recognises that its workforce is its most valuable asset and we believe that by investing in our current service and retaining and attracting the best talent that we can:

- Continue to effectively support the Council's contribution to delivering the seven outcomes contained in the What Matters strategy
- Create an environment to develop creative and innovative solutions where we can learn from both the private and public sector
- Develop a procurement and commercial service which is viewed as a 'centre of excellence' in procurement throughout the region, Wales and beyond
- Respond to the procurement and commercial requirements across the South East Wales region and Wales resulting from Local Government Reorganisation and the increasing focus on provision of Shared Services
- Contribute to and influence the procurement agenda for the UK Core Cities and Euro Cities

1.5 Business Needs

This business case sets out the options to trade procurement and commercial services. The objectives that the Commissioning and Procurement service intends to achieve by implementing this proposal are set out below.

1.5.1 Objectives

- To maintain the high quality services currently being delivered by the Council's C&P Team to all Directorates within the Council.
- To put in place a structure of service delivery that aligns to the requirements of the Council's medium and long term financial plan

- To ensure high performing Commissioning and Procurement employees have a long term, sustainable future contributing to the public sector in Wales.
- To ensure that the Council retains access to high quality and knowledgeable commissioning and procurement employees as required.
- To contribute high levels of procurement professionalism back into the public sector in Wales, and beyond.
- To meet the desires of the employees who are directly affected to have more control and certainty over their future in a climate of public sector budgetary cuts.
- To provide opportunities for employees to further develop their skills and capabilities whilst delivering value for money for the Council and the citizens and stakeholders of the City of Cardiff.
- To ensure that employees are valued and receive the recognition and reward that is commensurate with the effort and risks that they take to help minimise the risk of good employees leaving to join local competitors such as the National Procurement Service for Wales and Crown Commercial Services.

1.5.2 Planned Outcomes/Benefits to the Council

- The retention of award winning commissioning and procurement expertise within the Council.
- An opportunity to invest and build upon the successes to develop a centre of procurement and commercial expertise to the benefit of the City of Cardiff Council and the wider public sector in Wales and beyond.
- The Company would be a new entrant into the UK market for commissioning and procurement advice and services. Whilst there are such advisers and service providers in existence, research suggests that there is an over reliance on accountancy houses and lawyers for the provision of such commissioning and procurement advice and services.
- No other local authority in Wales has delivered or achieved what the Council's current Commissioning and Procurement service has delivered. As it has been identified that Local authorities are losing their most experienced procurement resources, there are likely to be opportunities across Wales as the public sector continues to manage fiscal consolidation and deploy category management to deliver savings. The published Fitness Checks show that there are likely to be opportunities to support local authorities to meet their Wales Procurement Policy Statement responsibilities.
- The creation of a new commercial ethos to the way commissioning and procurement advice and services are delivered within the Council.
- Opportunities for employees to develop new skills and to learn by working in different organisations which can be brought back into the Council.
- The establishment of a procurement and commercial service which delivers "from the public sector for the public sector" and which provides the opportunity to form strategic alliances with established private sector partners to access markets to deliver services to public and private sector customers.

1.6 Constraints & Dependencies

Outline the internal and external factors upon which the successful delivery of this change is dependant, and any constraints that exist.

We need to consider some constraints / dependencies

Internal

The business case is dependent on:

- The Council acknowledging and accepting that there will be a reduction in the level of central support available from the C&P Team to deliver Council projects. Creating the capacity to develop and deliver business opportunities means that there will be a requirement to prioritise work and to ensure employees across the Council have the skills, knowledge and tools to be able to work more effectively and independently.
- Employees in the C&P Team being willing and capable of delivering work to the required standard. Although we are confident they have the capability to deliver it needs to be recognised that there will be a requirement to work in environments which will take them out of their 'comfort zone' and this will need to be supported and rewarded.

External

A key challenge for any new company is establishing a market for its services and brand awareness. The Company proposes to adopt a twin track approach to secure work within and outside of Wales.

- Within Wales the Company intends to utilise existing professional relationships and contacts with public sector organisations to raise awareness of the services that can be provided. This has already secured work with two local authorities running a complex procurement and developing a business case supported by spend analytics.
- Outside of Wales the focus will be on developing strategic partnership arrangements with established private sector companies to enter markets. This approach provides real opportunities to secure business in the early years and develop the required commercial skills and name recognition outside Wales. This approach also minimises the costs of marketing the organisation.

Employees working on external contracts will utilise the skills that they have developed and will also develop new skills and knowledge by working with partners to deliver services for different clients. These skills will then be brought back and shared across the Council.

2. The Economic Case

2.1 Options Appraisal

As part of any business case it is important to make sure that proper consideration is given to a range of options that can meet business needs set out in the Strategic Case.

As the Strategic Case is predicated on the generation of external revenue and retention of employees the options considered have been:

Option 1	To continue trading as the City of Cardiff Council, generating revenue by charging public sector bodies for services
Option 2	To create an Employee Owned Mutual which is owned by current Council employees which trades with public bodies and partners with private sector organisations to bid for and deliver services
Option 3	To create a Local Authority Trading Company, generating revenue by charging public sector bodies directly for services and partnering with private sector organisations to bid for and deliver services

Initially in respect of Option 3 it was intention that employees would TUPE transfer to a Local Authority Trading Company (LATC) which relied on the Teckal exemption. This would be on the basis that there would be an agreement for the company to transfer to an Employee Mutual within three years.

However, legal advice identified concerns over the lawfulness of the pre-agreed transfer to an employee mutual, in particular EU Public Procurement Directive and State Aid issues. As a result it was determined that there could be no pre-agreed transfer to an employee mutual which meant there was no requirement to transfer employees.

The table below is an analysis of the three shortlisted options that have been considered by the C&P Team for this business case:

Option 1: Trade as City of Cardiff Council

This option would be to build upon the current approach where the in-house service delivers procurement and commercial services to public sector organisations and charges at full cost. This option would rely on the power to charge public sector organisations as set out in the Local Government Act 1970.

Strengths	Weaknesses
<ul style="list-style-type: none">• A simple model which allows external income to be generated to cover the 'full cost' of employees involved in delivery	<ul style="list-style-type: none">• Reliant on picking up business opportunities from other public sector organisations – this could result in major marketing / bidding investment• Not able to take advantage of private sector partnerships to deliver consistent pipeline of business opportunities• Limited to charging based on 'full cost recovery'• Limited future opportunity for employees company ownership

Option 2 – Establish an Employee Owned Mutual

This option would involve the creation of an employee owned mutual. The company would be privately owned by the nine members of the strategic team but with employees remaining employed by the City of Cardiff Council. The Employee Owned Mutual would purchase employees 'spare capacity' at full cost and a possible mark up. The delivery of external work would be undertaken completely separate to Council business.

Strengths	Weaknesses
<ul style="list-style-type: none">• The ownership of the company would provide a clear incentive for employees to develop and deliver business opportunities• This model would allow the fixed overheads of the C&P service to reduce through the company purchase of 'spare capacity'• Could facilitate an eventual transition to a future statutory only service if so desired by the Council	<ul style="list-style-type: none">• The Council would not receive any additional income stream from 'profit' generated through external business• Major concerns around conflict of interest as employees would remain employed by the Council and also be Directors of private company• Key concerns would include:<ul style="list-style-type: none">○ Clear separation between Council and company activity○ Use of Council role to secure company work / contracts○ No incentive for Council to invest in growth and development of the current in-house service

Option 3: Trade through a Council Owned Local Authority Trading Company (Preferred Option)

This option would see the creation of a Local Authority Trading Company which is wholly owned by the Council specifically for the trading of procurement and commercial service. Employees would remain employees of the Council with ‘spare capacity’ purchased at full cost to cover the required budget savings. Work delivered by the company would be charged at ‘full cost plus mark-up’.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Able to trade with private sector clients – this is key opportunity to develop and build company • Able to recharge private and public sector external work at a ‘profit’ • Model relatively simple and straightforward to establish • Manages the key conflict of interest issues • Allows wider range of Council employees (both within and outside of the C&P service) to participate in trading activity • Potential for profit income stream for the Council • Flexible to allow services to be provided directly to public bodies by the Council if preferred • Subject to company trading it allows potential for Council to make investment in the C&P service • Creation of LATC provides potential for Employee Owned Mutual at some point in future subject to Council approval 	<ul style="list-style-type: none"> • Some conflict of interest between prioritisation of Council and private business work • Limited incentive or future opportunity for employees as potential for employee ownership is unclear

2.2 Preferred Option and further analysis

The preferred option is Option 3 – Trade through a Local Authority Trading Company.

Although Option 2 was very appealing to the affected employees and would have provided the flexibility to work with private sector partners, it is acknowledged that the conflict of interest concerns are valid and that arrangements to manage these risks could have a detrimental effect on taking the company forward. Therefore, it is accepted that Option 2 is not practically viable at this juncture.

In considering Options 1 and 3 a number of key questions need to be considered.

2.2.1 Why do we need a Local Authority Trading Company?

Although it would be possible to 'charge' public sector organisations for the delivery of services the current legislation would restrict our ability to deliver services to private sector organisations. By creating a Local Authority Trading Company (LATC) we will be able to rely on the general trading powers available under Section 95 of the Local Government Act 2003.

Although the primary driver for establishing a LATC is the general power to trade, the creation of a trading company also provides a number of other benefits including:

- Limited liability to reduce risk exposure to the Council
- Potential for employee ownership in the future
- Definition of clear boundaries between Council and external work
- Opportunity to develop commercial and business skills to the benefit of the Council

2.2.2 Why is it important we can trade with private sector companies?

Although we will seek to deliver services directly to other public sector organisations, we believe that the level of business generated through this approach could be limited and irregular. Although we are fortunate to have a good, positive relationship with Heads of Procurement across the Local Authorities in Wales we do not feel that this would generate sufficient regular income at this time. However, we are aware that circumstances can and are likely to change with potential reorganisation and drive towards improved regional working. It will therefore be important that we maintain and hopefully grow a service which can respond to changes in demand as they arise.

By partnering with private sector companies who already have an established public sector client base, marketing and bidding skills, we believe the LATC will be able to commence generation of income more quickly and more consistently. We also believe this gives the management team an opportunity develop their commercial and business skills more rapidly by learning from partners who have already developed successful businesses of their own. This also gives us the opportunity to develop our expertise and knowledge by working with public sector organisations across the UK.

2.2.3 Why do we need a company just for trading procurement and commercial services?

As part of the Council Commercialisation agenda there are a number of areas where the Council is looking to develop external income generation opportunities, some of which could benefit from the general trading powers available through a LATC.

Although consideration has been given to trading through a more general trading company there are a number of key reasons why this business case is recommending a LATC dedicated for procurement and commercial services:

- **Partnerships** - relationships with Private Sector Business Partners are key to our business case and plan and therefore their relationship with the LATC board of directors will be crucial
- **Flexibility** – Directors will need to be able to respond quickly to commercial opportunities and change

- **Control** – the Board will need to be able to control company direction to maximise income opportunities
- **Simplicity** – this is a relatively simple model which does not require the transfer of an Council service and therefore does not require any TUPE transfer or change in employee terms or conditions or reliance on TECKAL exemption
- **Brand development** – we will need to establish a brand and identify which is appropriate for a company which will operate across the UK and potentially in Europe and beyond
- **Reputation and Clarity** – we will need to build a reputation for our unique service offering within the market place and have clarity about service offering
- **Ownership** – although the company will be wholly owned by the Council, the company structure does allow for changes in ownership to be considered over time, including possibility of, subject to Council approval, employee share ownership or transfer of company to an Employee Mutual

2.3 How would it operate?

The diagram below provides a high-level overview to illustrate how the preferred option would operate.



It is important to keep in mind that the preferred option is greatly simplified by the fact that employees will remain employees of the Council on the same terms and conditions. As employees remain employees, support to the Council will be delivered 'in-house' and therefore no Council work will be delivered through the LATC unless the Council decides to put a discrete piece of work out to the open market (see 4.2 Conflict of Interest).

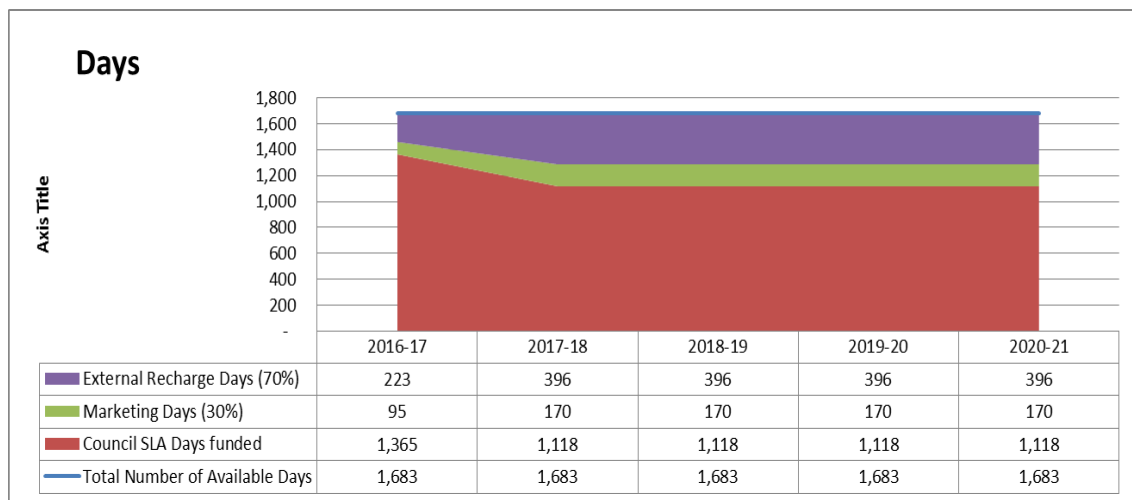
The LATC will purchase employees time at 'full cost' and this will represent the income line to the Commissioning and Procurement Service budget line. 'Full cost' will be calculated on a day rate basis and will include:

- Full Salary Costs including NI and Super
- An overhead charge to cover support charges including Premises and IT costs and a contribution to corporate support charges

The LATC will be required to 'purchase' all time spent involved in LATC business including all non-rechargeable activities such as marketing and bidding. This will require employees to accurately record all time spent on LATC business. For the

purpose of this business case we have assumed that the LATC will be resourced from the Strategic Team (see 2.4 below) and have calculated a minimum number of days which will need to be ‘purchased’ by the LATC in order to cover the targeted budget saving of £160,000. However, given that one of our key objectives is to grow the LATC it is expected that the actual number of days purchased by the LATC will continue to grow beyond the minimum number.

For the purpose of our financial model we have assumed that on average 30% of employees time ‘purchased’ by the LATC will be spent on non-rechargeable activities and 70% will be spent on rechargeable business. The graph below illustrates the minimum number of days to be ‘purchased’ by the LATC.



Work with public or private customers will be charged at ‘full cost’ plus mark-up. The ‘mark-up’ will need to be sufficient to cover the cost of non-rechargeable ‘Marketing Days’, LATC specific overheads such as public liability insurance and marketing expenses, and profit. Although we have calculated an average daily charge out rate the actual rate charge will depend on a number of factors including the complexity and duration of assignment and contract award arrangements i.e. LATC lead or via subcontract arrangement.

The preferred option does allow for a profit dividend to be paid back to the Council as the sole shareholder. However, given key objective is to invest in and grow team it is envisaged that any profits will be used to support this investment.

2.4 How will this impact on the Commissioning and Procurement Service?

The current C&P service comprises of 26 staff across the following three teams:

Team	Number of Employees	Primary Role
Strategic	7	<ul style="list-style-type: none"> Leading the development and implementation of

		<p>procurement strategy and supporting policies, guidance and systems</p> <ul style="list-style-type: none"> • Leading the development of category and sourcing strategies • Spend analytics and opportunity analysis • Lead / support for strategic commercial and procurement projects • Provision of procurement and commercial advice
Operational	10	<ul style="list-style-type: none"> • Support development of category and sourcing strategies • Lead above and below OJEU tender activity • Manage corporate contracts and facilitate access to framework agreements and contracts • Provision of procurement advice
Transactional	7	<ul style="list-style-type: none"> • SAP Requisition Approval and Compliance Monitoring • SAP Purchase-to-pay management and administration • Catalogue Management • End User Support and Training

For the purpose of this business case we have assumed that the LATC business will primarily be delivered by the Head of Commissioning and Procurement, the Senior Category Manager and the Strategic team – a total of 9 employees. On the assumption that a minimum of 565 days will need to be purchased by the LATC this equates to 63 days per employee member per annum. However, the preferred option will be flexible to allow for other employees within the Commissioning and Procurement Service to be involved in the delivery of LATC business particularly where they are able to contribute due to specialist areas of expertise and knowledge. This option will also allow other Council resources (in particular legal, finance and HR) to be engaged in the delivery of work where there is a requirement for their expertise and knowledge.

As any increase in the number of days ‘purchased’ by the LATC will impact on the delivery of City of Cardiff Council work it is proposed that the number of days is agreed annually as part of the business plan refresh and that any in-year variation is agreed in conjunction with the Shareholder Representative.

2.5 Appraisal of Costs and Benefits

This business case is predicated on a reduction in the Commissioning and Procurement service budget of £160,000 per annum from 2017/18 onwards. The achievement of

these savings will be dependent on the LATC ‘purchasing’ a sufficient number of days from the Council at a ‘full cost’ day rate.

Current estimates assume that by 2017/18 the company will be required to ‘purchase’ between 550 and 600 days per annum from the Council As already stated ‘purchased’ days will also include any time spent working on LATC business which are not rechargeable to clients such as marketing events and bid writing.

As already explained in 2.3 employee days will be purchased at ‘full cost’ on a day rate basis which will included full employee salary costs and an overhead charge which will make a contribution to the C&P service overheads including premises and central support costs. The estimated ‘full cost’ rates are shown in the ‘Financial Model’ in Appendix B.

In addition to the cost of purchasing employee days, our Financial Model contains the following estimates for costs which will be directly incurred by the LATC.

General Company Expenses	£10,000
Insurance Costs	£3,000
Marketing Expenses	£5,000
	£18,000

The average charge out rate for the LATC will therefore need to include an overhead contribution to cover these additional costs and the cost of the non-rechargeable days. The average charge-out rate is shown in our Financial Model contained in Appendix B. Details of non-financial benefits can be found in 1.5.2 of this business case.

2.6 Cost/Benefit Analysis

It is estimated that the preferred model will incur additional expenditure of £18,000 to cover general company costs, insurance and marketing expenses. These costs will need to be recovered in addition to the ‘full cost’ day rate paid to the Council.

2.7 Risk Assessment

The risks associated with the recommended option are set out below.

Identified Risk	Position/ Proposed mitigation
Employees leave the Council	Establish a mechanism for recognising employees contribution Actively support development of employees
Employees not given sufficient time to undertake external paid business	Establish agree service level with Council Simplification of processes and better use of technology to devolve low value / low risk to Directorate employees Improve prioritisation of work Set expectation of employees availability to undertake Council work

Employees not willing to undertake work	Establish mechanism for recognising employees contribution
Unable to secure external paid business	Develop partnerships with private sector companies Continue to develop and pursue existing and new business development needs Continue to showcase work of the Council through case studies, speaking at events and submitting award applications
Insufficient cash flow to fund early set-up / marketing / bidding costs	Market rate loan from Council to cover operating costs in accordance with draft business plan – see Financial Case

2.8 Sensitivity Analysis

The success of the LATC will be subject to:

- Generation sufficient business
 - Maintaining a minimum recharge ratio of 70/30
 - Managing additional company costs within budget
-

Therefore any variation in our assumptions will impact of the financial viability of the preferred option.

3. The Financial Case

This section will assess the affordability of the preferred option for implementing the change.

3.1 Capital & Revenue Costs

The preferred option will incur minimal capital costs for the purchase of:

- SAGE accounting software

The main revenue cost for the LATC will be the cost of employee’s time ‘purchased’ from the Council.

The preferred option will also incur the following non-employee related revenue costs:

General Company Expenses	£10,000
Insurance Costs	£3,000
Marketing Expenses	£5,000
	£18,000

3.2 Cash Releasing Benefits

The preferred option will allow the C&P service to reduce base budget by £160,000 by financial year 2017/18.

3.3 Funding Sources

It is anticipated that some funding will be required to cover cash flow requirements. It is proposed that the Council provides the LATC with a loan up to a maximum of £20,000. It is proposed that the loan is made on the basis that:

- The LATC shall only utilise the loan in accordance with the agreed business plan
- The LATC will draw down the loan as cash flow requires
- There will be a loan agreement which makes provision for the loan repayment terms and conditions and loan interest

3.4 Cash Flow

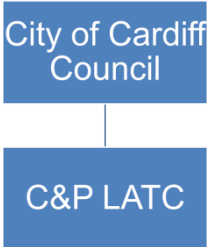
It is anticipated that the company will need to incur costs in relation to company set-up, insurance and marketing but that these can be kept to a minimum. The primary company cost will be for the ‘purchase’ of employee’s time from the Council and it is expected this will be paid within 60 days. There will inevitably be costs in relation to employee’s time which will not be rechargeable for marketing and bid work. It is also anticipated that the terms for payment for rechargeable work will vary dependent on the terms agreed in particular whether the work is fixed price or on a day rate basis. Once billed, we would expect to be paid within 30 days.

4. The Commercial Case

4.1 Legal structure, governance and management arrangements

4.1.1 Legal Structure

It is recommended that the following corporate company structure is adopted:



A Local Authority Trading Company (LATC) will be formed in accordance with section 95 of the Local Government Act 2003 and the [what is welsh act that gives powers to form trading companies?]

The Council will be creating a LATC specifically for trading of procurement and commercial services for a profit with any party (subject to legal constraints). Although the Council can already charge for services delivered to public bodies the requirement for general trading with private sector companies relies on the trading powers available under Section 95 of the Local Government Act 2003 (Section 95). The company will be a public company, incorporated under the Companies Act 2006 (CA 2006). This form of company has been used by a number of Local Authorities and is a usual vehicle used by a Local Authority.

The LATC will be wholly owned by the Council which will also be the sole shareholder.

There will be no requirement for the LATC to rely on the TECKAL exemption as employees will remain employees of the Council and work for the Council will be delivered 'in-house' and not through the LATC.

4.1.2 Governance arrangements

The board of directors of the LATC will manage the day-to-day decision making of it. The Council, being the sole shareholder of the LATC, will appoint (and remove) directors to run the company. The directors will be appointed with the relevant skills and experience to deliver the procurement and commercial services.

The board of directors of the LATC will meet as set out in the Articles of Association.

The board of directors of the LATC will produce a budget, a business plan, an annual report and other documents required to set the strategic objectives of the company. The Council will approve these strategic documents as the sole Shareholder of the company on an annual basis and as and when required. The Corporate Director (Resources) and Section 151 officer will act as the Shareholder Representative.

The board of directors of the LATC will require the Council's [or Shareholder Representatives?] approval before they are able to alter the strategic objectives of the LATC. For example, the following strategic decisions will require the Council's prior approval as the directors of the company will not be able to:

- Change the name of the company
- Change its dividend policy
- Declare and / or pay any dividends
- Participate in activities which are incompatible with the business of the LATC
- Issue new shares in the LATC
- Make any amendments to the Memorandum and Articles of Association

These matters will be dealt with in the LATCs constitutional documents.

The LATC will:

- Operate in compliance with the governance requirements set out by the Council.
- Seek to maintain and enhance the Council's reputation and brand for high standards.
- Establish and maintain an effective service and financial performance management reporting system which will include effective reports to the LATC Board and the Council Shareholder Representative.
- Be subject to any audit and inspection requirements of the Council.

As there remains a requirement for the C&P service to deliver the Council's priorities it is intended that the number of days 'purchased' by the LATC in any financial year will be agreed in advance with the Council. Any variation in the number of days will need to be agreed by the Shareholder Representative.

It needs to be acknowledged that this delivery model is relatively simple and straightforward to establish and operate particularly given there is not transfer of Council activity or employees and that the initial trading volumes are only circa £200,000 per annum.

4.1.3 LATC Board of Directors

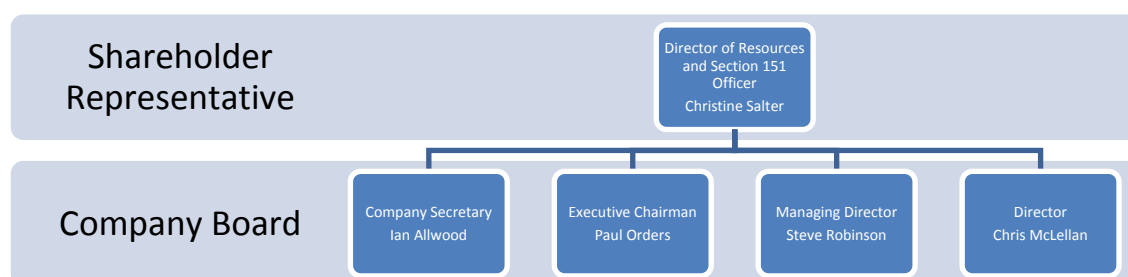
It is proposed that the LATC Board of Directors shall comprise:

- Executive Chairman – Paul Orders, Chief Executive
- Managing Director – Steve Robinson, Head of Commissioning and Procurement
- Director – Chris McLellan, Senior Category Manager
- Company Secretary – Ian Allwood, Chief Finance Officer and Deputy Section 151 Officer

The table below provides a brief synopsis of the roles and responsibilities

Executive Chairman	<ul style="list-style-type: none"> • Provides leadership for the Board, ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner • Primary responsibility for ensuring that good corporate governance practices and procedures are established
Managing Director	<ul style="list-style-type: none"> • Responsible for the business development and day-to-day management of the company • Responsible for the execution of the decisions as may be made by the board from time to time • Maintains regular dialogue with the Chairman on the Group's strategies and policies and, when necessary, put forward these issues to the Board for consideration
Company Secretary	<ul style="list-style-type: none"> • Ensures that an organisation complies with relevant legislation and regulation, and keeps Board Members informed of their legal responsibilities. • The company's named representative on legal documents, and it is their responsibility to ensure that the company and its directors operate within the law. • Responsible for registering and communicating with shareholders, to ensure that dividends are paid and to maintain company records, such as lists of directors and shareholders, and annual accounts.
Director	<ul style="list-style-type: none"> • Participate in board meetings to enable the board to make strategic and operational decisions • Support the Managing Director in the day-to-day management of the company and execution of board decisions

The diagram below illustrates the proposed governance arrangements.



The quorum for board meetings shall be all four Board members. At Board meetings each Director shall have one vote. Board meetings shall be held at least quarterly on such dates as they may agree (failure to reach an agreement a decision will be made by the Chairman). An agenda for the meeting will be prepared and distributed not less than 5 business days prior to the meeting.

Except where the information is commercial sensitive, minutes of Board meetings will be provided to the Shareholder Representative.

4.2 Conflict of Interest

When considering the governance arrangements it is important to be mindful of potential conflicts of interest.

A potential area of conflict would be the delivery of services by the LATC to the Council. As already stated, as the employees are remaining employees of the Council, any work for the Council will be delivered in-house as usual. It is also the intention that any work for the Council which is not covered by our base budget and agreed service level (generally for projects with additional funding) will be delivered by the in-house team with work charged at the same 'full cost' day rate which would be payable by the LATC.

However, should the Council wish to put a requirement out to competition the LATC would need to bid for this work. As this could represent a conflict of interest, given the C&P service would be managing the tender, it is proposed that bidding for this work would need approval by the Shareholder Representative.

The other potential area of conflict is the appointment of the Chief Finance Officer to the role of Company Secretary as he also acts as the Deputy Section 151 Officer. To manage any potential conflict the Deputy Section 151 Officer will not be able to deputise for the Section 151 Officer as Shareholder Representative.

4.3 Management and Support Services

As already explained the employees affected by the preferred option will not be required to transfer to the LATC and will continue to be employed by the Council. When not involved in LATC activity, the current line management arrangements will continue.

When delivering Business for the LATC the day-to-day management and direction will come from the Managing Director and Director.

Support services will be provided by the current Council functions and a charge for support costs will be included in the 'full cost' day rate paid to the Council from the LATC.

Any support costs over and above that provided by the standard support cost charge will be agreed between the LATC and the support function.

4.4 Payment Mechanisms

The transactions between the Council and LATC will be limited to:

- The 'purchase' of employees spare capacity
- Provision of support services (i.e. Finance, HR, Legal) which are considered to exceed the contribution made through the 'full cost' uplift

Employees will be required to record all activity related to LATC business and this record will be used to determine the number of days for each employee which need to be purchased by the LATC. This record of activity will be submitted on a monthly basis to allow the Council to invoice the LATC. The LATC will be required to pay the invoice within 30 days.

Payment for any additional services provided by the Council to the LATC will be paid for on a quarterly basis in arrears.

4.5 HR Issues

Under the preferred option there is no requirement for employees to transfer to the LATC and therefore salaries, terms and conditions and pension rights will remain unaltered.

However, it is acknowledged that the delivery of business through the LATC will involve an increase in travelling and overnight stays and a requirement to engage and work with key stakeholders with other public and private sector organisations.

As employees will remain employees of the Council all employees related matters including HR and Payroll will continue to be supported by the Council's HR People Services.

4.6 Tax

In order to facilitate the offsetting of any Corporation Tax losses and VAT on supplies within the group, a VAT and tax Loss relief group incorporating the LATC will need to be formed.

4.7.1 Corporation Tax

As a separate legal entity to the Council, the LATC will be subject to tax, including corporation tax on chargeable profits and gains arising to the LATC. In contrast the Council is not liable for corporation tax. Transactions between the council and the LATC will need to be at arms-length to ensure the transfer pricing rules do not become an issue. The Council will need to charge market value for any goods and services it provides to the LATC to ensure the LATC obtains the maximum tax deduction and the Council's corporation tax position is unaffected. Similarly, the LATC will need to charge full market value for the goods and services it provides the Council given that its tax liability will be based on the market value of such goods / services.

4.7.2 VAT

The LATC will be subject to the normal VAT recovery regime.

4.7 Accounting

Annual accounts for the company will be prepared in accordance with relevant International Financial Reporting Standards and the UK Generally Accepted Accounting Practices.

5. The Management Case

This section will demonstrate that the preferred option is capable of being delivered successfully and in accordance with the Council's agreed programme & project management framework – PQA.

The creation of the new company will be managed by the C&P Management Team with support from colleagues in Legal, Finance and HR who have already input to the development of this business case.

If Cabinet approve the business case and creation of the LATC the table below provides an indicative action plan which will be delivered by a project team which will have representation from Legal, Finance, HR and ICT.

It is proposed that all matters associated with establishing the LATC are delegated to Corporate Director of Resources in consultation with the Council's Monitoring Officer and Portfolio Member for Resources.

The table below provides an indicative Action Plan

Develop and agree Articles of Association	June 2016
Develop and agree Shareholder Agreement	June 2016
Create company	July 2016
Develop and agree company name and branding	May / June 2016
Finalise and agree business plan	June 2016
Hold initial Board meeting	July 2016

Appendices [To be finalised]

- A. Commissioning and Procurement Structure Chart
 - B. LATC Financial Model
-

Business Case Approval

Assurance Comments:			
Assured by:		Date of Assurance:	

Programme Manager Comments:			
Programme Manager:		Date of Assurance:	

Approval to Proceed to Next Stage			
Date Investment Board	approved – Review		Decision Ref:
Decision	Request Amendment	<input type="checkbox"/>	Refer to Organisational change Board Decision <input type="checkbox"/>
	Approval to Proceed	<input type="checkbox"/>	Reject & Cancel <input type="checkbox"/>
Comments			

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CITY AND COUNTY OF CARDIFF
DINAS A SIR CAERDYDD

AGENDA ITEM 7

POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE

10 May 2016

POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE ANNUAL REPORT
2015-16

Reason for this Report

1. To seek Committee's approval for the draft Annual Report 2015-16 prior to its consideration by Full Council.

Background

2. The Cardiff Council Constitution requires all Scrutiny Committees to *'report annually to the Council on their workings and make recommendations for future work programmes and amended working methods if appropriate.'*
3. A copy of the Policy Review & Performance Scrutiny Committee's draft Annual Report 2015 -16 is attached at **Appendix A**. This report lists all items considered from June 2015 to May 2016 and highlights those topics where the Committee has had greatest impact.

Legal Implications

4. 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

5. There are no financial implications arising directly from this report.

RECOMMENDATION

The Committee is recommended to consider, if necessary amend, and approve the attached Policy Review & Performance Scrutiny Committee Annual Report 2015-16 for presentation to Council.

DAVID MARR
Interim Monitoring Officer
4 May 2016

s c r u t i n y



**Policy Review and Performance
Scrutiny Committee**

Annual Report 2015–2016

May 2016



City and County of Cardiff

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POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE MEMBERSHIP



CHAIR
Councillor Nigel Howells



Councillor Garry Hunt



Councillor Rod McKerlich



Councillor Eleanor Sanders



Councillor Jim Murphy



Councillor Huw Thomas

CHAIR'S FOREWORD



Councillor Nigel Howells

Chair, Policy Review & Performance
Scrutiny Committee

INTRODUCTION

Good governance is founded on independent scrutiny which has equal status with policy making. If it is to be effective and offer rigorous and constructive challenge, then scrutiny must rest at the heart of the Council's decision making process. This happens where Scrutiny consistently adds value to the work of the Cabinet, by examining best practice, scrutinising difficult decisions, assisting with specific challenges and engaging with the citizen.

This Annual Report covers the work of the Committee between May 2015 and April 2016. The work programme has been full and varied, and whilst this report analyses the types of scrutiny undertaken and all topics considered under each, areas of greatest impact are reported in 'Highlights of 2015/16' from page 11 onwards.

Work Programme Overview

The Policy Review and Performance Scrutiny Committee's Terms of Reference confer upon it two distinct scrutiny roles. Firstly an overarching responsibility to scrutinise, monitor and review the overall corporate performance and improvement of the Council from a strategic viewpoint. Secondly to scrutinise, monitor and review the effectiveness of specific services, such as Finance, ICT, Human Resources, Governance, Legal Services, Property, Procurement, and Customer Services.

Cardiff Council has, along with the other 21 Councils in Wales, developed 15 "Characteristics of Effective Scrutiny"¹ which are designed to show whether scrutiny is working well locally, irrespective of an authority's priorities, challenges, political and organisational cultures and local issues. This

¹ <https://www.cardiff.gov.uk/ENG/Your-Council/Councillors-and-meetings/Scrutiny/Documents/Guidelines%20for%20effective%20Scrutiny%20in%20Wales.pdf>

Framework has three Outcomes: Better Cabinet Decisions; Better Engagement with Stakeholders; and Better Outcomes for the Council, the City and its citizens. This report presents the Committee's main activities during 2015-16 and where possible applies the Characteristics of Good Scrutiny to ensure that there are:

- Better outcomes - Democratic accountability drives improvement in public service.
- Better decisions - Democratic decision making is accountable, inclusive and robust.
- Better engagement – The public is engaged in democratic debate about current and future delivery of public services.

The Committee held 11 programmed public meetings during the 2015/16 municipal year. In addition Members of the Committee participated in 2 joint public scrutiny meetings. The output was 24 letters to the Cabinet and Senior Management Team, sharing the Committee's comments, concerns and recommendations, following scrutiny.

The Committee's approach this year has been informed by the *Improving Scrutiny Project*, developed in response to the recommendations made by Wales Audit Office in its September 2014 *Corporate Assessment of Cardiff Council*. Alongside many current key strengths within the authority's scrutiny arrangements, WAO identified four challenges for the service to focus on, which were:

- Clarity and length of agendas, and length of meetings;
- Prompt publication of minutes, work programmes and reports;
- Evaluation of Scrutiny outcomes;
- Timeliness of Cabinet responses to Scrutiny reports and correspondence.

The Council's five Scrutiny chairs enlisted the help of the Centre for Public Scrutiny to examine how best to respond to these challenges, and others

facing the authority's governance, performance monitoring and policy review arrangements. In September 2015 the Committee approved the 18 quick wins that evolved out of the project and continue to focus on their application.

Public Questions to Scrutiny – *Better Engagement*

The Council's five scrutiny committees regularly invite citizens and representatives of community and third sector organisations to provide evidence at committee meetings and Task & Finish inquiries. During 2015/16 the committee has received advice, comments and concerns from numerous representatives who have either been invited or requested attendance at Committee.

The Committee is committed to ensuring that citizens are involved in Governance and that the "voice" of local people and communities are heard as part of decision making and policy development. Therefore during the summer of 2015 the Committee introduced arrangements for public questions from the City's Third Sector Council (C3SC), welcoming the Chief Executive of C3SC to the table, with a public question on Equality Impact Assessment.

Types of Scrutiny Undertaken

The Committee's terms of reference² determine that its responsibilities fall within four of the Council's seven delivery Directorates; as follows

The **Corporate Resources Directorate** falls within the Committee's remit in its entirety and comprises *Central Transport Services and Facilities Management; Commissioning and Procurement; Enterprise Architecture; Finance; Health & Safety; Human Resources People Services; ICT; Organisational Development; Performance & Partnerships;*

² Terms of Reference for this Committee can be found on page 33.

The **Economic Development Directorate** includes *Strategic Estates* including both the *operational* and *commercial investment* portfolios and *International Policy*.

The **Communities, Housing and Customer Services Directorate** includes Community Hubs; Customer Services (including Corporate Complaints and the Member Enquiry Service); and Connect to Cardiff (C2C).

The **Governance and Legal Services Directorate** falls within the Committee's remit in its entirety and comprises Bilingual Cardiff; Committee & Members' Services; Electoral Services; Equality Team; Glamorgan Archives; Legal Services; and Scrutiny Services.

This year there have been many calls for the Committee to contribute to joint short scrutinies, along with colleagues from the other four scrutiny committees. In addition to the monthly meetings of the Policy Review and Performance Scrutiny Committee, Members have volunteered to represent the Committee on two joint scrutiny inquiries, the Alternative Delivery Mechanisms inquiry, and the Community Infrastructure Levy inquiry.

The Committee has scrutinised a wide variety of topics, which included:

Joint Scrutiny Inquiries – Where the Committee has joined together with one or more scrutiny committees to examine a topic of a cross-cutting nature to enable collective consideration of the issues.

- Alternative Delivery Mechanism – Business Infrastructure Proposals
- Community Infrastructure Levy.

Policy Review - Where the Committee has considered the implementation of and impact of policies providing the Cabinet with Scrutiny Members' views about whether any changes are required. In 2015-16 this included;

- Attendance and Wellbeing Policy Review

- Disciplinary Policy
- Well-being of Future Generations (Wales) Act 2015
- What Matters 2010-20, review 2015
- Performance Management Review.

Policy Development – Where the Committee has contributed to the Council’s policy development processes by considering draft policy documents, In 2015/16 this included;

- Strategic Equality Plan 2016
- Alternative Delivery Model governance proposals.

Pre Decision – Where the Committee has evaluated and commented on policy proposals before they go to the Executive, giving the Cabinet the opportunity to know Scrutiny Member’s views prior to making their decision. In 2015/16 this included;

- Non Operational Investment Estate
- The Corporate Plan 2016-18
- The Proposed Budget 2016-17.

Monitoring Improvement – Where the Committee has undertaken monitoring of the Council’s improvement progress. In 2015/16, this included:

- Organisational Development Programme
- Statutory Annual Improvement Report 2014/15
- Wales Audit Office Improvement Report
- Cardiff Liveable City Report
- Wales Audit Office Corporate Follow On Report.

Monitoring Performance and Delivery– Where the Committee has undertaken monitoring of the Council’s performance. In 2015/16 this included:

- Directorate Delivery Plans 2016-17
 - Resources

- Communities, Housing & Customer Services
- Economic Development
- Governance & Legal Services
- Corporate Performance Quarters 1, 3 & 4
- Employee Survey & Employee Engagement.

HIGHLIGHTS OF 2015/16

Joint Inquiries

Community Infrastructure Levy – Task & Finish inquiry

Between November 2015 and February 2016 the Committee contributed to a joint Task & Finish inquiry in partnership with all four other scrutiny committees. The scope of the inquiry was to consider options for introducing a Community Infrastructure Levy (CIL) in Cardiff and examined seven key elements:

- CIL Strategy
- Proposed Cardiff CIL Rates
- Recent Legislative Change & Developer Contributions
- CIL Regulations 123 List
- CIL Administration
- CIL 15% Community Council Funding Allocation
- General CIL Information.

In reviewing the various options the group drew upon a number of information sources including witnesses from other local authorities; the construction industry; officers from Cardiff Council's Planning Service; Elected Members; a Scrutiny Research report and external planning consultants. From this body of evidence the Members drew key findings and twelve recommendations. The three core recommendations proposed:

- A zonal approach appeared to be the best way forward for the city. Members felt that Cardiff should be split into three distinct zones; these were 1) Strategic Sites; 2) Residential Inner Zone, and 3) Residential Outer Zone; that the Strategic Sites should be exempt of CIL and that the Residential Inner Zone should have a higher CIL than the Residential Outer Zone.

- The Residential Inner Zone and Residential Outer Zone should be supported by a Community Infrastructure Levy variation tool which relates the contribution percentage to the number of units in the development, i.e. the larger the development the lower the CIL rate.
- The rates provided in Cardiff's preliminary Draft Charging Schedule were high when compared to other local authorities who had, or were in the process of adopting the Community Infrastructure Levy. The report recommended that the complete schedule of rates should be reviewed in advance of the publication of the Draft Charging Schedule in spring 2016.

The draft inquiry report was agreed by the Policy Review & Performance Scrutiny Committee (on behalf of all scrutiny Committees) on 12 April 2016. Subject to one small amendment the 12 recommendations were accepted. A copy of the report has been forwarded to the Cabinet Member for Transport, Planning & Sustainability so that it can inform the Community Infrastructure Levy report which is programmed for Cabinet's consideration in June 2016.

Joint Scrutiny

Infrastructure Services – Alternative Delivery Model

In July 2015 Members took part in pre-decision joint scrutiny of the Cabinet report 'Infrastructure Services – Alternative Delivery Model' (ADM). Together with the Environmental Scrutiny Committee, Members had an opportunity to scrutinise and comment on the outline business case proposals for an ADM.

Following the scrutiny Members commented to the Cabinet that important information on the Outline Business Case (scoring services against the five alternative delivery models) was missing, and evidently the outcome of the Corporate Evaluation Methodology was different to the recommendation in the Cabinet paper. Members requested an explanation.

Members were also concerned at some of the high level financial analysis assumptions of the Outline Business Case, and that the Service Improvement Plans were unavailable for consideration alongside the Outline Business Case, despite forming a large part of the basis of the £4million in-house savings for the period 2015/16 to 2017/18.

Members requested details of the predicated changes to employee terms and conditions as a result of a transfer to a Wholly Owned Arms Length Company, and sought clarification of how TUPE protection would be applied, and if such a structure would prevent multi tier employee terms and conditions being applied.

A Cabinet response is awaited.

Policy Review – *better outcomes*

Attendance & Wellbeing Policy Review

The Committee considered a post implementation review of the Attendance and Wellbeing Policy, and looked specifically at the impact on sickness absence levels of targeted management intervention in two Council directorates: Sport, Leisure & Culture; and Environment.

Members considered the overall trend of sickness absence levels to be in the right direction, but that greater urgency was required, and that the Council should consider setting harder targets and timescales. Members felt there was an opportunity for stronger, more challenging, Occupational Health support, and that the Council should be more flexible with trigger points where there are long term sickness issues. Committee supported phased return to work, and return to work without a doctor's note.

The Committee re-stated its view that key to success is the quality of management implementation and accountability; noted that work-related stress is automatically referred to Occupational Health and that the manager is expected to identify the source of a stress-related illness. Members reiterated the value of comparative performance data, and were reassured to note Core City sickness data comparisons. They felt it would be enlightening to compare the Council with large organisations in business and industry.

In response the Cabinet reassured the Committee that a further review of the revised Attendance and Wellbeing Policy would take place 12 months on from 1 July 2015. More radical and stringent changes will be considered, should improvements not be achieved or sustained over the coming year. Cabinet will continue to monitor the spend on agency workers brought in to cover sickness; generally tighten up Occupational Health Service processes; and learn not only from external organisations how improvements can be secured, but also share the good practice that already exists internally.

Disciplinary Policy

In November the Committee considered the Disciplinary Policy Review, and new Resolution Policy. Members welcomed a shorter policy, supplemented by five guidance booklets as a positive change in supporting senior managers to discipline staff; improved management information reporting; and the creation of a bespoke Investigations Team to undertake complex investigations.

Members endorsed the Employee Assistance Programme offering staff a 24 hour, seven day a week counselling support service; felt the number of suspensions was surprisingly high. They considered a downward shift in permission to suspend, to Operational Manager level, was appropriate and had the added benefit of retaining an appeal mechanism to Director/Chief Officer level.

The Committee felt the new proposals were a step in the right direction. Clear targets could be reported quarterly for the number of grievances logged; the number of actual suspensions; and the length of time taken to resolve disciplinary cases. Members aspired to reduce resolution time to 4 weeks.

Lastly the Committee felt very strongly that, where schools personnel are under disciplinary investigation, governing bodies required more solid advice in undertaking Disciplinary action.

The Cabinet response indicated concern with the number and length of suspensions, and the time taken to conclude disciplinary and grievance issues. It agreed that transparency and compliance with these processes is key. The provision of timely management information will be important for consideration at both Directorate and Senior Management Team meetings. Cabinet agreed to explore the suggestion regarding a disciplinary performance indicator; and indicated officers would review how best to realign resources to offer more support to schools governing bodies.

Well being of Future Generations

In preparation for its newly acquired role as the home committee for partnership scrutiny, in December 2016 the Committee invited a Welsh Government representative as a witness, to assist the Committee's understanding of the Well-being of Future Generations (Wales) Act 2015. The Committee sought to understand the national policy context for which the Council would need to strategically prepare; its role and purpose in the scrutiny of partnership arrangements; and the implications within the Act for Scrutiny. Following the scrutiny the Committee sent Welsh Government a scrutiny-specific response to its consultation, in addition to the Council's response.

Members embraced the spirit of the Act and the aspiration to put in place mechanisms to hold Public Service Boards to account locally rather than nationally. Scrutiny Members considered the Council's own approach to Local Service Board (LSB) Partnership work to be relatively advanced and a good starting point in tackling the statutory requirements of the Act. However, the Committee emphasised local councils would benefit from greater clarity of expectation between national and local scrutiny arrangements for holding to account the statutory Public Service Board.

The Committee felt clear guidance was required as to how the Future Generations Commissioner would interact with local Scrutiny functions; that the Council would need to improve how it communicates its well-being goals, and that a clear set of partnership objectives would be critical. Members were keen to establish whether there would be new Key Performance Indicators to assist them in their monitoring role.

Practically the Committee felt there were resource considerations that could impact on the achievability of the Government's vision. Members were concerned that with the escalation in statutory scrutiny responsibility there was no resource earmarked for the role and responsibility it places upon Scrutiny.

In May 2015 the Committee was asked to take overarching responsibility for scrutiny of the Council's partnership work, specifically scrutiny of the Cardiff Partnership Board (CPB). On publication of the *Improving Scrutiny Project* in September 2015, the transfer of responsibilities was agreed, and henceforth this Committee will perform a strategic overview role of the CPB's performance.

The Committee's first opportunity to perform its new role came in January 2016 when Members scrutinised the central strategic planning document of the CPB, the *2015 Review of the What Matters 2010 -2020 Ten Year Strategy*. This was timely scrutiny set against the national policy context for partnership working, and the Committee recognised the benefits of the CPB as a platform for addressing big issues within the City. Members were assured that external regulators recognise the quality of the Council's partnership work, and noted that partners consider there is still a way to go on the journey.

Members saw evidence of secure partner relationships, a common, consistent connection between the Corporate Plans of all partners, and sharing of data. However they were concerned as to how the Board measures its own achievements, and sought detail of what actions the CPB are planning over the next five years. Scrutiny of the Action Plan is programmed for 2016/17.

Of considerable concern to the Committee was how in the future the Council resources its statutory partnership and scrutiny responsibilities, as introduced by the Well-being of Future Generations Act 2015.

The Committee remains keen to ensure greater collective transparency and accountability around the decision-making processes that involve all partners, for the benefit of the citizen. Members feel it is important that the level of scrutiny of partnership work is proportionate to the responsibility vested in the CPB and are in the process of clarifying arrangements in discussion with all stakeholders.

Policy Development – *Better Decisions*

Strategic Equality Plan 2016 - 2020

In October 2015 the Committee had an early policy development opportunity to consider the Strategic Equality Plan 2016-2020, at the start of a two month consultation programme to shape the final Plan. This was followed by a second pre-decision opportunity in March 2016 to consider the final Plan before it was considered by the Cabinet on 10 March 2016.

Following the scrutiny the Committee urged the Cabinet Member to ensure the Council works more strategically with its partners on equalities matters; encouraged the maintenance of strong links between the central Equalities Team and Directorates; encouraged that Directorates are required to report annually on equalities. This would enable the central Equalities Team to provide Members with an annual collective view of progress that enables the Committee to test how effectively the Council is delivering its Strategic Equality Plan. Notably Members felt it would be useful to produce a concise one sided A4 document for staff that summarised the 7 equalities objectives.

The Committee concluded that its forthcoming work programme should include a fuller exploration of the challenge of ensuring the Council's workforce reflects its community.

Business Infrastructure Model – ADM Governance

As the Committee with responsibility for scrutiny of corporate governance the Committee considered specific matters and advice on the governance proposals for Alternative Delivery Mechanisms, such as a wholly owned trading company. The purpose was to ensure the Council puts in place appropriate arrangements to provide effective governance to preserve and enhance Council services to the citizens of Cardiff.

During the scrutiny Members considered company structures and forms, governance controls, the Constitution, Board and Membership, Reserved Matters, conflicts of interest, transparency and accountability, retained activities and the relationship between the Authority and Company.

Members' concerns and observations to the Cabinet acknowledged the Council's timely engagement with scrutiny on potential governance arrangements, affording Members an opportunity to contribute their views. Members will join with the Environment Committee to scrutinise the Full Business Case, and stressed should the Council decide to go ahead this Committee would also wish to factor scrutiny of the final contract into its future work programme.

The Committee endorsed the approach taken by appointed external consultants, *Bevan Britton*, to work with the in-house legal team in developing its own internal expertise; highlighted the importance of adhering both to the Companies Act and the Council's governance requirements; felt that it would be critical to have appropriate accounting procedures and standing orders in place for the new company; and cautioned against hampering the Company by putting in place too many reserved powers.

The Committee felt there needed to be clarity around the Member-Officer relationship, recommending that the Council engaged external advice as to Member involvement in the Board; the nominated Member(s) should be non-executive Councillors; nominated Member(s) should ideally have business skills and expertise; and therefore considers it appropriate to adopt a competitive process to ensure the right appointment(s).

Members requested that, should the proposals be accepted, and a Transition Board be put in place; the Committee has an opportunity to monitor the progress of matters that fall within its Terms of Reference, as the Board introduces new arrangements that impact on the finances and staff of the Council.

Finally, the Committee sought to ensure that any new operating arrangements maintain the existing Council ethos of working with SMEs, and requested the list of SMEs with whom services under consideration for transfer to the new Company are currently working.

The Committee will participate in pre-decision scrutiny of the Full ADM Business Case, to include governance proposals, programmed for June 2016.

Pre Decision – *better decisions*

Non-Operational Investment Property Estate

In November Committee scrutinised the Council's Non-Operational Property Estate proposals. The Committee was pleased to hear that the estate is currently generating a good income, and that the new proposals will refine the Council's ability to develop its property portfolio to a point where it makes money. Members highlighted the risk to income of disposing of capital assets; were reassured that the new strategy proposing an Investment Estate Board is focussed on generating more money; and that all Council-owned buildings with a community value will be retained within the Operational Estate.

The Committee intends to monitor the performance of the Investment Estate Board annually; accepting that accountability for decisions taken by the Board will sit with professional officers advised by commercial advisers. The Committee's interest will be in the performance of the Board in maximising income from the Council's estate, and in seeking reassurance that an ethical and community focussed framework for investment has been implemented.

The Committee considered it important to preserve the quality of the public realm in prominent locations, that Cardiff is still short of hotel space, and therefore when the Board considers selling property would urge that the Council preserves some control over the site's future use.

Cabinet indicated the Council will look to capitalise on any opportunities arising from redevelopment schemes where the City Council can share in the development value; Investment Board will seek to retain an element of control, but design quality will be controlled through the planning process and new Liveable City Design Guide. Ethical considerations will be part of the process to ensure that assets are used appropriately.

Corporate Plan

The Committee was provided with an early opportunity to help inform the development of the Plan in January 2016, followed by a second opportunity in February to scrutinise the final draft Plan before its sign off by Cabinet alongside the 2016/17 budget proposals.

The Committee's role was twofold in considering the Corporate Plan:

- Firstly, to scrutinise the overall structure and direction set out in the Corporate Plan and the process for its development, as the Council's key strategic document linking the outcomes set out in 'What Matters' Plan, Directorate Delivery Plans and individual officers' objectives.
- Secondly, the Committee had a role in scrutinising the linkages between the Corporate Plan and delivery of the specific services under its remit. These fall largely under Priority 4 - Working together to transform services.

The Committee's overwhelming conclusion was that the draft 2016-18 Corporate Plan was a considerable improvement on last year's Plan.

The Committees' suggested improvements were taken on board, the Plan amended, and a new table inserted to clarify the links between the national Well-being goals of the Well-being of Future Generations (Wales) Act 2015, the seven Cardiff outcomes of the 4 Council priorities, and the improvement objectives contained in the Plan.

Budget Proposals 2016/17

In February 2016 the Committee considered the draft Cabinet budget proposals prior to their consideration by Cabinet and Full Council.

The Committee welcomed the greater openness and an apparently more rigorous budget setting process; expressed concern at the evident internal cost inflation and its impact on the savings made over time; felt there were green shoots of progress in savings made; and noted the Council was more business like, having reviewed many HR policies and specifically improved in areas such as sickness absence and agency costs.

In respect of the Changes for Cardiff budget consultation Members had some concerns around the presentation of results across methodologies of research, whether consequently results were skewed, and would have liked to see caveats to the methodology highlighted more strongly in the report.

During the scrutiny the Committee heard from Unison of concerns around the reflectiveness of the Council's workforce of the communities it serves.

Therefore Members wish to follow up the concerns highlighted and will consider taking a look at the changing composition of staff over time. The Committee will address this during its future work programming for 2016/17.

Monitoring Improvement

Organisational Development Programme

The Committee had an opportunity in July 2015 to consider progress and a new approach planned for delivery of the Council's Organisational Development Programme (ODP). Members were seeking assurance of progress in addressing the findings of the Wales Audit Office (WAO) Corporate Assessment of the Council in September 2014.

The Committee welcomed the refresh of the ODP to maintain momentum under the Council's '*Make the Difference*' Brand. Members noted some concern about the progress of the Reshaping Services for Vulnerable Adults Programme, and the risk surrounding Adult Social Services commissioning and demand pressures, particularly around managerial capacity.

Members focussed on the implications of new ways of working both for staff numbers and satisfaction, and particularly highlighted the importance of good staff engagement on plans such as multifunctional roles and mobile working.

In response the Cabinet welcomed the Committee's input and monitoring of progress and reiterated strongly their commitment to open and informed dialogue with staff, reminding Members that this was the first of a three year programme of dedicated staff engagement.

Statutory Annual Improvement Report 2014/15

In September 2015 the Committee considered the Annual Improvement Report 2014/15, and challenged how effectively the Council was preparing for improvement, by focusing on delivery of its key priorities. Despite acknowledging that the annual media assessment of Local Authority performance is a crude mechanism, and that 70% of the Council's performance indicators had improved, Members expressed concern to the

Cabinet about performance in Cardiff when compared with urban authorities such as Newport and RCT. Members also felt the Improvement Plan could better address the *quality* of Council services delivered, and considered further work was required to assess what is important to our customers.

Members were therefore pleased that the Cabinet and Chief Executive are confident in expecting better headlines in 2016 and will programme timely scrutiny.

Wales Audit Office Follow-on report

In line with good governance supporting stronger links between internal and external challenge, in March 2016 the Committee had an opportunity to receive the *Corporate Assessment Follow On* report, published by the Wales Audit Office (WAO).

In September 2014 the Auditor General had concluded that '*Fragmented (Council) leadership and management... meant that weak performance in key service areas has not improved*' based on evidence of political and managerial instability over a number of years; a lack of effective means of delivery for citizens; decision-making processes that were inefficient and lacked transparency; performance management failing to consistently secure improvement; uncertain prospects for achieving proposed savings in 2014-15; unsustainable methods of service delivery; inconsistent implementation of human resource arrangements; and not managing land and property assets well.

There was, however, evidence of the Council collaborating well with others to improve outcomes for citizens; improving information technology; and improving information management arrangements.

The Council received a Follow-on Review in the autumn of 2015 that resulted in the Auditor General's judgement that "***The Council has put in place better arrangements to support improvement and to address longstanding***

issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes.”

The Council received one formal recommendation, asking it to ensure it addresses 14 clear proposals for improvement to deliver improved outcomes within the next 12 months.

Following the scrutiny the Committee welcomed the WAO Corporate Follow-on judgement that there had been a transformation of leadership and senior management within the Council; and noted that the regulator would not have expected the Council to resolve all issues highlighted in the Corporate Assessment of September 2014, and that the Council has more work to do to ensure improved arrangements are embedded, to capitalise on the improvement trajectory.

The Committee will therefore during future work programming reflect on the regulator’s view that: some corporate enablers (such as Performance, Human Resources, and the Council’s use of its Assets) still require improvement; that the scrutiny of cross cutting issues can be further developed; and that vacancies on scrutiny committees should be filled quickly.

Members endorsed the external regulator’s view that it is important the Council builds the capacity and mechanisms for internal challenge and self assessment. The Committee recognises the improvement at leadership level, but stressed the importance that leaders probe deeper into the organisation to secure further improvement.

With regard to the Performance Reporting proposal for improvement, the Committee noted the need for more consistency around performance management and benchmarking; that the framework and mechanisms for effective performance management are already in place, but that there is scope for further improvement; and particularly scope for strengthening the relationship between the Central Performance Team and Service Directorates; and looked forward to pre-decision scrutiny of the refreshed

proposals for performance monitoring arrangements before the summer recess.

The Committee was very concerned about the number of vacant seats on scrutiny committees, and remains keen to establish how the Council can improve commitment to scrutiny amongst elected Members, to sustain a stable and consistent membership across all five scrutiny committees. Member engagement is a broader issue than just scrutiny, and there needs to be cross-party consideration of this matter.

Members were surprised by the Review proposal suggesting the Council needs to develop an approach to scrutinising cross-cutting issues. Members of all scrutiny committees have been involved in cross cutting scrutiny inquiries over recent years, and more in the past year than ever before. The Committee was therefore pleased to hear the WAO clarify that the proposal is rooted in the statutory implications for scrutiny of forthcoming government legislation that will require all Authorities to look at the bigger picture and scrutinise issues not entirely within the Council's control.

The Committee received a prompt response from the Leader promising to keep the Committee updated of all WAO future work and intentions; welcoming an opportunity to bring a refreshed Organisational Development Programme to Committee in June 2016; and suggesting a six month review of the Council's Statement of Action in the autumn 2016.

Cardiff Liveable City Report

In December Members were introduced to the first *Cardiff Liveable City Report*, which offered a comparative benchmark perspective of Cardiff's performance against a group of ten major UK Core Cities, not including London.

Whilst the Committee congratulated the Cabinet on the accessibility of the document, there was some feeling that Members had not been central to the document' development. The Committee feels fighting inequality is a central role all Members perform, and that involving them at an early stage in developing the document would better address how we make the City more liveable for the 60,000 poorest citizens, and indeed for older residents.

Monitoring Performance & Delivery- *Better Outcomes*

Performance Monitoring

Each Quarter, the Committee receives the overall performance report for the Council prior to the report going to Cabinet, while other Scrutiny Committees receive the reports of those Directorates that fall within their terms of reference. The Committee's role is twofold:

- To consider the overall performance of the organisation and the actions being taken to ensure that agreed targets and commitments are delivered.
- To scrutinise the performance of the services that fall under the terms of reference of the Committee. This includes the performance of three Directorates: Corporate, Resources, and Governance & Legal Services; in addition property elements of the Economic Development Directorate; and customer elements of the Communities, Housing & Customer Services Directorate.

Members decided during work programming discussions that its approach to monitoring Council Performance for 2015/16 would be to consider Quarter 1 and Quarter 3 performance reports at full Committee, to delegate responsibility to the Chair in discussion with the Principal Scrutiny Officer to review Quarter 2 and Quarter 4, and bring to the Committee's attention any matters of concern.

Throughout the year there were recurring themes to Members' concerns around performance. Specifically, the Committee are concerned that during the year staff and agency costs have been running ahead of budget, and in future Members will be looking for an improvement in recovering the overspend on staff budgets.

There have been repeated concerns about the ability of current performance information to facilitate comparisons with previous quarters, to illustrate trends, and to enable comparative demographics across authorities.

The Committee felt there is little evidence of progress in respect of operational asset management, and asked the Cabinet Member to report on this matter before the summer recess; urged that in refreshing the performance reporting arrangements the Council encompasses the performance information needs of all five scrutiny committees; and considered there was an opportunity to improve the internal sharing of strategic expertise across Directorates.

The Committee has been encouraged to participate in and contribute to performance management policy development in the form of the Performance and Governance theme of the Organisational Development Programme. This project work to commence shortly, the Committee will factor this into its work programme.

Employee Survey & Employee Engagement

In October 2015 the Committee had an opportunity to consider the results of the 2015 Employee Survey, and help drive forward the Employee Engagement agenda. The scrutiny was broadened to include valuable contributions from four staff ambassador representatives. Members commented that there is clear evidence of improvement and in general terms were content with the strategic approach and practical implementation of the work, the benchmarking activity undertaken and the pains taken to widen consultation and engagement with employees.

Directorate Delivery Plans 2016-17

The Committee's Terms of Reference confer responsibility for scrutinising a range of services that fall within four Directorate Delivery Plans. In April 2016

two of the Plans, the *Resources Directorate Delivery Plan* and the *Governance and Legal Services Directorate Delivery Plan*, were considered in their entirety, whilst the *Economic Development Directorate Delivery Plan* was scrutinised for Strategic Estates and International Policy matters, and the *Communities, Housing & Customer Services Directorate Delivery Plan* was scrutinised for all Customer Services matters.

Consideration of the Delivery Plans set in context for Members the role they play within the Council's overarching strategic planning framework, and will effectively inform the Committee's work programming for 2016/17.

Each Directorate received a letter capturing the Committee's views.

Future Scrutiny - Work Programming 2016/17

Over the course of its deliberations this year, the Committee has recommended that the following items be considered for inclusion in the Committee's 2016-17 work programme:

- ❖ Full business case proposals for an ADM;
- ❖ Partnership scrutiny proportionate to the responsibility vested in the CPB;
- ❖ The challenge of ensuring the composition of the Council's workforce reflects its community;
- ❖ Statutory Annual Improvement Report 2015/16;
- ❖ Six month review of the Councils WAO Statement of Action;
- ❖ Organisational Development Programme.

COMMITTEE TERMS OF REFERENCE

- To scrutinise, monitor and review the overall operation of the Cardiff Programme for Improvement and the effectiveness of the general implementation of the Council's policies, aims and objectives.
- To scrutinise, monitor and review the effectiveness of the Council's systems of financial control and administration and use of human resources.
- To report to an appropriate Cabinet or Council meeting on its findings and to make recommendations on measures which may enhance Council performance in this area.

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