

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

Employment Conditions Committee: 24 November 2004

Report of Chief Executive

**OUTSTANDING SCRUTINY REPORT – SENIOR MANAGEMENT
ARRANGEMENTS**

Background

1. Following an article in the South Wales Echo on 4 March 2004 on salary increases for Corporate Managers, the Policy Review and Performance Scrutiny Committee requested that the matter be brought before it for Scrutiny. The timing of the Scrutiny reports' publication resulted in it not being considered by Council prior to the Election. In October, Leaders Forum considered the issue of outstanding Scrutiny reports and recommended that the report on Senior Management Arrangements be submitted to ECC as it is to this Committee that the majority of its recommendations relate.

Issues

2. The issues considered by the Committee included recent experience of Cardiff in recruiting and retaining officers at Corporate Management level; how the Council's salaries compared with the salaries paid within our family group; whether these comparisons were used by the Employment Conditions Committee in reaching the decision on 5 December 2003; the annual cost of that decision; and whether the Scrutiny Committee considered that the decision could be described as open, transparent and reasonable.
3. Scrutiny Committee met on 30 March 2004 to consider this item and received evidence from Councillor Goodway (Chair of Employment Conditions Committee); the Chief Executive and Mark Thompson from the Hay Group. A full copy of the report is attached as Appendix A.
4. Following detailed discussion of the rationale behind the 5 December decision of Employment Conditions Committee, the Scrutiny Committee reached the following conclusions:
 - "The decision to establish the salaries of existing Corporate Managers at the Hay lowest benchmark level was an appropriate and pragmatic decision, well backed by market information. The decision allows for the retention of experienced officers during a period of transition to a new senior management structure.
 - That this decision taken on behalf of all Council Members had not been communicated outside of the Employment Conditions Committee. The majority of members on the Policy Review and Performance Scrutiny Committee only learnt of the decision from the South Wales Echo on 4 March 2004, almost exactly 3 months after the decision had been taken, this was not acceptable. The Scrutiny

Committee believe that improved communication of both the business transacted and the decisions taken at Employment Conditions Committee is required and this will prevent this sort of situation occurring in the future.”

5. The Scrutiny Committee resolved that it should report to full Council on the issues identified. In reaching that decision, the Scrutiny Committee was particularly mindful that decisions of the Employment Conditions Committee are taken on behalf of all Members of the Council and that all Members are responsible for them. However, as the recommendations of the Scrutiny Committee relate to the Employment Conditions Committee, it is in the circumstances more appropriate that this Committee considers the report, its findings and recommendations.

Proposals

6. The recommendations of the Policy Review & Performance Scrutiny Committee were as follows:-
 - i. The business transacted by the Employment Conditions Committee be made as open and transparent as possible subject to the provisions of part VA and Schedule 12A of the Local Government Act 1972;
 - ii. Decisions taken by the Employment Conditions Committee be promptly communicated to all Members; and
 - iii. Recommendations i and ii be considered by the Constitution Committee in the light of the findings of the Corporate Governance Commission due to be published on 2 April 2004.

Investment for Reform/Benefit to service user

7. Consideration of this report by this Committee will conclude this specific scrutiny process and will enable the business conducted within this Committee to be open and transparent.

Council Policies Supported

8. This report supports the Council’s constitutional arrangements.

Advice

9. This report has been prepared in consultation with relevant Corporate Directors and reflects their advice. It contains all the information necessary to allow Members to arrive at a reasonable view, taking into account the following advice.

Legal Implications

10. The power to appoint staff and to determine the terms and conditions on which they hold office is a function which cannot, by law, be a function of the Executive. The Employment Conditions Committee exercises those functions delegated to it by the Council and consequently as the Scrutiny Committee’s report relates to the working of the ECC, the ECC may usefully respond to the Scrutiny Report as indeed may the full Council. All decisions taken by or on behalf the Council must (a) be within the

legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (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

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

Human Resource Implications

12. If approved, recommendations (i) and (ii) will improve the transparency of the decision making process which in turn will lead to greater understanding of the role of the Committee and its remit. The prompt communication of decisions this Committee takes will enable speedier responses to issues and more timely action, where necessary.

Trade Union Comments

13. The Trade Unions would welcome the business of the Employment Conditions Committee being conducted in as open and transparent way as possible. They have also asked if the decisions made at meetings of the Committee could be communicated promptly to them as well as to Members.

RECOMMENDATION

It is recommended that this Committee's views on the report of the Policy Review & Performance Scrutiny Committee on Senior Management arrangements, attached as Appendix A, are sought.

BYRON DAVIES
CHIEF EXECUTIVE

16 November 2004

The following appendix is attached

Appendix A – Report of the Policy Review & Performance Scrutiny Committee to Council Senior Management Arrangement (April 2004).

**Policy Review & Performance Scrutiny
Committee**

**REPORT OF THE POLICY REVIEW &
PERFORMANCE SCRUTINY COMMITTEE TO
COUNCIL**

Senior Management Arrangements

APRIL 2004



County Council of The City and County of Cardiff

Senior Management Arrangements

BACKGROUND

On 4th March 2004, the South Wales Echo carried an article regarding salary increases for the Council's Corporate Managers, referring to a decision of the Employment Conditions Committee on 5th December 2003. The report upon which the decision was taken was confidential, and not released to the press, public, nor to Members not on the Employment Conditions Committee.

Following the Echo article, a member of the Policy Review & Performance Scrutiny Committee requested that the matter be brought before the Committee for scrutiny, and in particular, to explore:

- The recent experience of Cardiff in terms of recruiting and retaining Officers at Corporate Management level;
- How the Council's salaries compare to the salaries paid within our family group;

- Whether these comparisons were used in reaching the decision on December 5th 2003;
- The annual cost of the decision;
- Whether the Scrutiny Committee consider that the decision could be described as open, transparent and reasonable.

On 30th March, 2004 the Committee met to consider this item, and received evidence from Councillor Russell Goodway, Chairperson of the Employment Conditions Committee, the Chief Executive and Mr. Mark Thompson from the Hay Group, also in attendance was the Section 151 Officer and the Monitoring Officer. Following discussion, the Committee resolved to make a report to Council on the issues identified. In reaching this decision the Committee was particularly mindful that decisions of the Employment Conditions Committee are taken on behalf of all Members of the Council, and all Members are responsible for them.

Senior Management Arrangements

the transition to a new structure within the next four years.

- Re-designate two vacant Corporate Manager posts to Assistant Chief Executives, to be advertised in due course.

In addition the Committee made other resolutions not directly relevant to this scrutiny examination.

THE EMPLOYMENT CONDITIONS COMMITTEE DECISION

On 5th December 2003, the Employment Conditions Committee considered the current responsibilities for Corporate Managers in relation to the market pay rates for this role. It also considered a reconfiguration of Corporate Management to provide for two posts as Assistant Chief Executives, together with a more streamlined Chief Officer structure, in due course.

The Committee resolved to:

- Establish Corporate Manager salary grades at the Hay lowest benchmark, subject to a personal commitment from the existing Corporate Managers to implement

DRIVERS BEHIND THE CHANGES

The Policy Review & Performance Scrutiny Committee requested clarity on the factors lying behind the changes to salary levels and structure at Corporate Manager level. Councillor Goodway and the Chief Executive advised the Committee that a number of factors influenced the decision:

- Cardiff is the Capital City of Wales and as such has many regional responsibilities. To address the needs of a modern City, the Authority has to be a dynamic local authority. The management

Senior Management Arrangements

structures put in place in 1999 could not be expected to be the most appropriate structures in 2005 – 2010;

- In 1995, the new unitary authority agreed that it would pay nationally agreed salaries, and not pay any additional enhancements such as providing car allowances, or provide additional benefits, such as enhanced leave entitlement. Neighbouring authorities had not taken this line, and as a consequence the overall remuneration package available in Cardiff is not as attractive as in neighbouring authorities. This has led to talented staff leaving the authority.
- Workforce planning is important, and the decision allows the Council to retain senior, experienced, officers while a new structure was developed and implemented.
- To ensure the successful implementation of the changes required to meet the challenges of the future, it is essential that the Authority retains its present expertise.

**SENIOR RECRUITMENT AND
RETENTION – CARDIFF'S
RECENT EXPERIENCE**

The Committee explored the Council's recent experience in the recruitment and retention of senior staff. They were advised that the cost of advertising and recruiting a senior member of staff could cost about as much as that member of staff's annual salary. As such it is important that there is some knowledge of the market before seeking to recruit, to avoid the financial losses associated with failing to appoint, as had happened in a number of other similar vacant posts.

The Employment Conditions Committee decided in February 2003 that a review of senior management arrangements should be undertaken, in the light of a number of vacant senior management posts, and the changes necessary with regard to Social Services. Permanent appointments to vacant Corporate Manager posts have been avoided in preference to bringing in experienced personnel on secondment or contract basis. This approach maintains

Senior Management Arrangements

the Council's flexibility while the wider review of senior management arrangements is concluded. The cost of these posts have been negotiated and are significantly lower than consultancy rates.

The Committee was advised that when considering whether to appoint a new Chief Officer for Human Resources, the Chief Executive had taken soundings from other organisations locally which had recently sought to recruit to such posts, and from recruitment consultants. The information gained had informed the decision to appoint an interim manager rather than go to the market on open competition.

The Committee was also advised that since devolution some senior managers may be reluctant to select a job in Wales in case the move limited their subsequent employability elsewhere in the UK. Articles about senior managers pay in local press, such as the one in the South Wales Echo on 4th March 2004 which included photographs of Corporate Managers, could also be a disincentive to work for Cardiff.

The Committee welcomed the views of the Chairperson of the Employment Conditions

Committee, placing such high regard on the present Council staff, in providing excellent services to the public, particularly during such difficult times.

The Committee was also informed of a number of approaches, that have been put forward, to ensure that the workforce of the Authority receives the necessary support from the Council to help it provide a first class service for the City, in particular, that over the next three years the Council needed to ensure that key posts are covered during restructuring. Committee was advised that an appropriate staff development strategy is implemented to provide staff with a clear career structure within the Authority, and avoid talented officers seeking employment elsewhere.

SALARY COMPARISONS WITH OUTHER AUTHORITIES

The Committee was informed that in reaching its decision, on Corporate Managers' salaries, the Council had not benchmarked salaries with the Council's "family group" of authorities, but rather used the "Hay" database for benchmarking

Senior Management Arrangements

purposes, which allowed for much broader comparisons.

The Hay benchmark takes into account the workload, accountabilities and responsibilities of individual posts. It also takes account of the overall remuneration package including holiday entitlement, car benefits etc. The Hay Group maintain a database through which comparisons of comparable posts can be made nationwide. The database includes other councils and organisations in the industrial and service sectors. This methodology is in widespread use within local government.

The Hay comparison equates the job size of Cardiff County Council's Corporate Managers with that of the top job in many smaller authorities, and slightly higher than the Chief Executive of a typical district council.

The Hay pay market comparisons provided to the Employment Conditions Committee as background for their decision indicate that the existing Corporate Manager's salary is 85% of the base pay in

comparable roles in other authorities, and only 71% of the base pay in comparable roles in the industrial and service sectors. Hay also reported that both other councils and the industrial and service sector typically pay additional benefits of 10% and 21% respectively which Cardiff does not pay.

ANNUAL COST OF NEW SALARY GRADES

The additional costs associated with the new salary grades for Corporate Managers have been met by deleting a vacant post of Chief Strategic Support Officer. This allows the new salary structure to be cost neutral to the authority.

CONCLUSIONS

Following detailed discussion of the rationale behind the 5th December 2003 decision of the Employment Conditions Committee, the Scrutiny Committee reached the following conclusions:

- The decision to establish the salaries of existing Corporate

Senior Management Arrangements

Managers at the Hay lowest benchmark level was an appropriate and pragmatic decision well backed by market information. The decision allows for the retention of experienced officers during a period of transition to a new senior management structure.

- That this decision taken on behalf of all Council Members, had not been communicated outside of the Employment Conditions Committee. The majority of Members on the Policy Review and Performance Scrutiny Committee only learnt of the decision from the South Wales Echo on 4th March 2004, almost exactly 3 months after the decision had been taken, this was not acceptable. The Scrutiny Committee believe that improved communication of both the business transacted and the decisions taken at the Employment Conditions Committee is required, and this will prevent, this sort of situation occurring in the future.

RECOMMENDATIONS

The Policy Review & Performance Scrutiny Committee recommend that:

- i. The business transacted by the Employment Conditions Committee be made as open and transparent as possible subject to the provisions of part VA and Schedule 12A of the Local Government Act 1972;
- ii. Decisions taken by the Employment Conditions Committee be promptly communicated to all Members; and
- iii. Recommendations i and ii be considered by the Constitution Committee in the light of the findings of the Corporate Governance Commission due to be published on 2nd April 2004.