

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

Employment Conditions Committee: 27 March 2007

Report of the Chief Executive

FUNDAMENTAL OPERATIONAL REVIEW

Background

1. This report outlines a process for addressing the Council decision (Minute No 204) of 27 February 2007 and updates Members on recruitment process for vacant Chief Officer post, Transport Infrastructure & Waste.
2. During the Council consideration of the budget for 2007/08, a view was expressed that an incremental approach to change is inadequate in the current climate, and that a far reaching ‘root and branch’ review of the entire Council’s operations and running costs should be undertaken.
3. The view was expressed that such a review should cover staffing levels and associated overhead costs; organisation structures and levels; the value to be gained from appropriate outsourcing; the effectiveness and cost of processes which provide services to customers and whether all current expenditure is sustainable; a full value for money assessment of everything we do; and benchmarking with the best practice achieved elsewhere in the UK.

Issues

4. The Council decision on the matter (Minute No 204.), which was taken as part of the decision on setting the budget for 2007/8, was that:
 - The Council authorises the Chief Executive to conduct a root and branch review of the Council’s operations and running costs during 2007/08.
 - The Chief Executive to establish the terms of reference of the review in consultation with the Executive and Party Group Leaders.
5. The Council also decided inter-alia as part of the budget setting process for 2007/8 to impose:
 - An additional temporary recruitment freeze
 - A temporary freeze on the Assistant Chief Executive post

Proposals

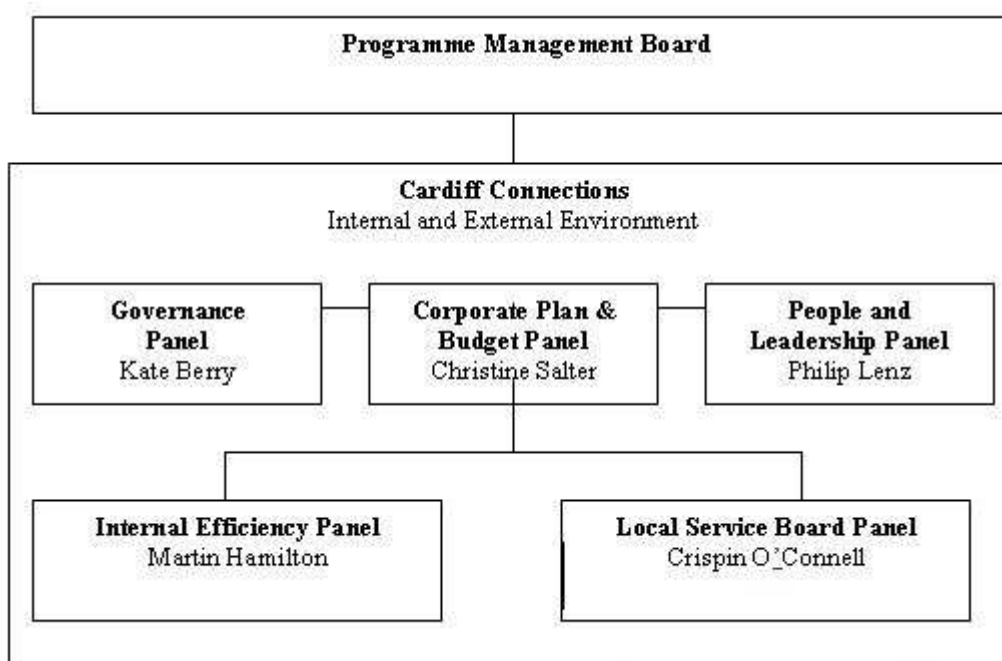
Management and Workload Capacity

6. The Council has also decided to apply an “additional recruitment freeze” together with “a temporary freeze on the Assistant Chief Executive post” and it is necessary to address how the Council can best address the Corporate Plan within the Budgetary

Framework that has been set whilst addressing a fundamental review of the Council's operations during 2007/08

7. Given the background to the budget setting processes which included reports on the challenges facing the Council, the approved Community Strategy and Corporate Plan and the constraints on available budgets for both revenue and capital, the additional workload generated by a fundamental review of the Council's operations is a considerable additional task that has to be accommodated within reduced budgetary settlements during 2007/08.
8. To address the Council's Corporate Plan within the budgetary framework it is necessary to review the senior management arrangements on the basis that there needs to be an effective structure in place as soon as possible and therefore the existing arrangements that were established as a transition phase need to be reviewed. Subsequently, a report on the necessary senior management arrangements will be submitted to this Committee in May 2007 which will be a sustainable arrangement in relation to addressing the Corporate Plan and the Operational Review during 2007/08. In relation to the vacant position Chief Officer Transport, Infrastructure & Waste, it has unfortunately not been possible to appoint to this post. Consequently, initial arrangements have been put in place to cover the existing Service Area which will now be reviewed as part of the wider Fundamental Operational Review, although it may prove necessary to bring in short term additional interim capacity to manage the Council's significant operational risks in this area. The indicative timescale for this Council Wide review is attached as Appendix A
9. It is proposed that the mainstream work for the Operational Review will be undertaken through the Council's Programme Management Board as the officer co-ordinating forum as established in the approved Corporate Plan for 2007/08. These arrangements are illustrated below which will provide a framework for the internal work associated with an Operational Review.

Operational Review 2007/08



Specialist Independent Advice

10. These internal working arrangements will need to be supplemented by the engagement of specialist advisors to ensure independence and capacity for establishing Service Area profiles through best practice toolkits, benchmarking with comparative authorities, identifying any gaps between current service profiles and comparative benchmarks, and evaluating options to align existing service profiles with best practice benchmarks.

Investment for Reform/Benefit to Service User

11. The Council is under increasing financial pressures and a balance needs to be struck between the Council's services remaining as they currently are and the cost of managing these services. The temporary freeze on recruitment means that the Council should invest in developing the capability and capacity of existing employees, but on the basis those individuals will need to take on more accountability and responsibility within the budgetary framework that has been set. Therefore any vacancies will be advertised internally first with the aim to appoint internally with a consequential deleting of the successful applicants post, wherever possible. The benefits to service users is that the quality of statutory service delivery will not be compromised but the overall cost of senior management arrangements will be contained within the budgetary framework which will represents a real efficiency saving during 2007/08 compared to 2006/07.

Council Policies Supported

12. This report supports the Corporate Plan and the Community Strategy. The report also sets out how existing employees should continue to be developed to take on more accountability and responsibility within a reduced budgetary provision which achieved a real efficiency saving

Advice

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

Legal Implications

14. The Chief Executive as the Council's Head of the Paid Service (a statutory appointment) is under a duty, where he considers it appropriate to prepare a report on
 - the manner in which the discharge by the authority of its different functions is co-ordinated;
 - the number and grades of staff required by the authority for the discharge of its functions;
 - the organisation of the authority's staff; and
 - the appointment and proper management of the authority's staff.

The report must be sent to each Member, and considered by the authority within 3 months of its despatch to Members. This duty on the Head of the Paid Service cannot be delegated.

It is within the terms of reference of this Committee to decide upon any proposals for reorganisation of the Council's employee establishment which involves the creation of new posts, the deletion or regarding of existing posts and redundancies.

It is an Executive function to appoint specialist advisers and any procurement must comply with the Council's Contract Procedure Rules.

There is an expectation that trades union and staff will be consulted about proposals to restructure the organisation of staff. Depending on the precise proposals as they are developed there may be contract of employment and equal opportunity implications and these will be addressed as they emerge. If voluntary or compulsory redundancy becomes a possibility in the "mind" of the employer a duty arises to consult trades union and staff before any final decision is made.

Financial Implications

15. The cost of proposals for Senior Management arrangements and specialist advisors will be contained within the budgetary framework for 2007/8 whilst the temporary freeze on recruitment will assist the Council in meeting the financial pressures it faces in the coming year.

Human Resource Implications

16. The HR implications could be far reaching, depending on the outcome of the review. It is important that the Trade Unions are fully consulted and involved in order that they can help allay any staff concerns. In the context of the additional recruitment freeze, it is proposed that paragraph 22 of the current Recruitment and Selection Policy be actioned which states that:
"Where in certain circumstances there is a need to safeguard the interests of existing employees who might otherwise face downgrading or redundancy, arrangements may be introduced on a temporary basis by the Council in consultation with the Trade Unions to operate a ring-fence agreement whereby vacancies are advertised on an internal basis only in the first instance"
17. The Trade Unions have been consulted and a ring fence agreement will be implemented initially for a minimum 6 month period from April 2007. This temporary freeze will slow down recruitment, achieve savings and provide the Council with the opportunity to try and avoid the need for future compulsory redundancies where this is possible.
18. From an equality impact perspective, this decision will have a number of implications. The Council's employee monitoring data shows that the Council is not currently employing representative numbers of disabled employees, or employees from ethnic minorities. A grade profile also shows that these employees tend to carry out more of the operational and lower paid jobs within the Council, rather than management roles. Perhaps as a result of this, there are perceptions within minority communities that it is easier to secure a job at the Council if you are White British and non-disabled, or if you or a friend or family member already work for the organisation. The Council is initiating a PQA Workforce Diversity Project in April to overcome these barriers and perceptions, and to set up sustainable processes to recruit, retain and develop more representative numbers of people from currently under-represented groups.

19. Restricting access on a temporary basis to existing employees will further restrict equality of opportunity to the currently unrepresentative workforce, and might tend to make it easier for White British non-disabled employees to secure the more attractive jobs. If this decision is to be taken for the reasons outlined in the report, careful consultation and engagement with representative organisations should be undertaken, explaining:
 - * why the decision has been taken
 - * the temporary nature of the decision
 - * that the Council - as enshrined in the PQA Workforce Diversity Project Mandate - has a genuine mid to long term objective to increase levels of minority group representation in its workforce, and that this short term decision will not compromise the Project's ultimate goal.
20. A specific equality monitoring exercise should also be undertaken during the recruitment freeze to analyse the net gains and losses occasioned on the grounds of ethnic origin, disability and gender as a result of the restriction of recruitment to existing Council employees.

Trade Union Comments

21. The Trade Unions have been consulted on the principles of this Fundamental Operational Review .The draft notes from an initial consultation meeting held on March 12 2007 are attached as Appendix B to this report.
22. A further consultation meeting was held on 21 March 2007 and a number of additional points were made. Whilst the Trade Unions were aware of the interim arrangements in place to cover the vacant Chief Officer post in Transport Infrastructure and Waste, they reiterated that the role was too big and that the fact that an appointment had not been possible was evidence of this. They will not agree to any proposals to delete posts as part of this process. They also raised equality concerns about the impact of implementing the proposed temporary ring fence arrangement. They had concerns about the use, cost and role of any specialist advisors although they recognised that they could have a role in supporting certain capacity issues. Whilst they expressed their opposition to any consideration of outsourcing, they were prepared to explore opportunities for partnership working
23. In view of the scale of the review, they felt strongly that the they must be fully involved as early as possible and for the duration of the review and suggested the setting up of a Trade Union stakeholder group who would regularly meet to ensure that all were kept up to date on progress. The implications for existing facilities time off for full involvement in this additional major review also need to be considered. They requested that information as to how the review would be conducted and managed should be made available to them as the earliest opportunity.
24. In response to issues raised by the Trade Unions during the consultation process, the Chief Executive :
 - will review the Transportation function and this will be part of the Senior Management review .
 - shares the concerns of Trade Unions about capacity and in particular that staff will be addressing the Corporate Plan, the Operational Review and the Local Service Board matters within the Budgetary and the staffing constraints

imposed as part of the 2007/08 Budget. The need to appoint specialist advisors on toolkits, benchmark comparisons and gap analysis will allow the existing staff to undertake most of the work but within an independent best practice framework.

- notes the TU view on outsourcing and welcomes their position that they are prepared to look at strategic partnerships.
- agrees that in view of the scale of the review that the TU's must be fully involved as early as possible and for the duration of the review and has asked the Chief Human Resources Officer to arrange a Trade Union stakeholder group that will be informed on progress
- agrees that the existing facilities time off for full involvement in this additional major operational review also needs to be considered.
- confirms that they will be consulted on how the review would be conducted and managed through consulting with them on the Operational Review Terms of Reference that he will be preparing in April to report to the Executive in May.

Reasons for Recommendations

25. To address the Council decision relating to a fundamental Operational Review

RECOMMENDATIONS

26. It is recommended that the Employment Conditions Committee notes that:

- (i) the Operational Review authorised by the Council will need to be conducted within the existing working arrangements of the Council as set out in the Corporate Plan and Budgetary Framework for 2007/08
- (ii) a review of the senior management arrangements at Corporate Director and Chief Officer level will be necessary to discharge the Council's decisions on the Corporate Plan, the Budgetary Framework and the Operational Review with a report to be submitted to the Employment Conditions Committee in May 2007.
- (iii) the Council's senior management capacity for addressing the Corporate Plan at the same time as undertaking a fundamental Operational Review during 2007/8 will need to be supplemented by independent specialist advisers for this period only.
- (iv) the appointment to any position during 2007/08 will need to be on the basis of temporarily agreed prior consideration to internal candidates with any internal appointment resulting in the deletion of a post, where this is practicable
- (v) The cost of proposals for senior management arrangements and the specialist advisers to be contained within the budgetary framework for 2007/08

BYRON DAVIES CHIEF EXECUTIVE

The following Appendices are attached:

Appendix A – Indicative Timescales

Appendix B – Draft notes of consultation meeting held with the Trade Unions on 12 March 2007

Appendix A

Fundamental Operational Review 2007/08			A	M	J	J	A	S	O	N	D	J	F	M
Managing	Programme	Byron Davies												
Work	Management													
	Board													
Primary	Corporate Resource	Christine Salter												
Work	Programme	Independent Specialist												
Primary	Governance	Kate Berry												
Work	Programme													
Primary	People	Phillip Lenz												
Work	Programme	Independent Specialist												
Supporting	Internal Efficiency	Martin Hamilton												
Work	Projects													
Supporting	Cardiff Connections	Crispin O'Connell												
Work	Programme													
Operational	Service Profiling	Nichola Poole												
Review	Benchmarking	Independent Specialist												
Project														
Work	Service Options													
Council	ECC													
Reporting	Executive													
	Scrutiny													
	Council													

FUNDAMENTAL OPERATIONAL REVIEW

**Trade Union Briefing Session
Monday 12th March 2007**

Present: Byron Davies - Chief Executive
Philip Lenz - Chief Human Resources Officer
Lynne David - Operational Manager (Planning, Development & Improvement)
Mike Heffernan – Operational Manager (Strategic Projects)

Andy Gardner & Mike Love – AMICUS
Ken Daniels – GMB
Mal Davies – NUT
Mark Turner – UNISON
Mike Formosa -TGWU

1. The Chief Executive thanked the trade unions for allowing him to attend their pre ECC consultation forum thus giving him an early opportunity to address them on some very important issues that would impact upon their members during the course of the 2007/08 financial year.
2. He advised the trade union representatives that, in finalising the budget for 2007/08, the Council had authorised him to conduct a “root and branch” review of all the Council’s operations and running costs (including the costs of democracy) during the 2007/08 financial year.
3. This review, he told them, would cover staffing levels and associated overhead costs; organisation structures and levels; the value to be gained from appropriate outsourcing; the effectiveness and cost of processes which provide services to customers and whether all current expenditure levels were sustainable. In short, therefore, the Council wanted him to carry out a full, value for money assessment of everything that it did and then to benchmark the Council with the best practice achieved elsewhere in the UK.
4. He confirmed that, in consultation with the Executive & the Party Group Leaders, he would establish the terms of this fundamental operational review and would communicate those terms of reference to the trade unions in due course.
5. He indicated that the departure of Jo Farrar (ACE) at Christmas had given him the opportunity to review the senior management structure of the Council (CDs, COs & Heads of Function) with a view to agreeing a structure that would meet the Council’s needs until the next Council elections i.e. until 2008 and possibly beyond.

6. He told the trade union representatives that this particular review was well advanced but was now, effectively, “on hold” and that the senior management arrangements would now be integrated into the fundamental operational review that would take place during the next financial year.
7. He stated that, in terms of senior management realignment, he had not ruled out a phased approach to implementing a new structure but that his first priority was to agree the terms of reference for the overall review, a process by which the review would be conducted and managed and a timetable for its completion.
8. He informed them that the mainstream work for the review would be undertaken through the Council’s Programme Management Board. This was the officer co-ordinating forum established in the approved Corporate Plan for 2007/08.
9. He indicated that the review was going to be a very thorough examination of everything that the Council did. He informed that that, in terms of the review, Kate Berry would lead on the governance issues; Christine Salter would lead on the corporate planning process and budgetary issues; Philip Lenz would lead on the people and leadership agenda; Martin Hamilton would lead on the internal efficiency drive and Crispin O’Connell would lead on the issue of local service boards.
10. He advised the trade unions that he intended engaging the services of specialist advisors to provide impartial and independent advice and capacity to establish service area profiles. He explained to the trade union representatives that these specialist advisors would do this through the use of best value toolkits, benchmarking with comparative authorities like Edinburgh City Council and the evaluation of options to align existing service profiles with best practice benchmarks.
11. The Chief Executive freely acknowledged that the task of completing this fundamental operational review was going to be a major challenge (given all the other challenges that the Council faced) and the position was made even more difficult because it would have to be accomplished against the backdrop of a reduced budget settlement for 2007/08. Nevertheless, it was a task that had to be accomplished and he looked forward to working, in partnership, with the trade unions throughout the process. He confirmed that a “paving report” would be submitted to the Employment Conditions Committee on 27th March and that the trade unions would have sight of that report in advance of the meeting.
12. The NUT representative bemoaned the fact that, every year, the financial settlement approved by the Welsh Assembly Government was insufficient for Cardiff Council’s needs and there seemed to be little appreciation (within WAG) that, as the capital city of Wales, Cardiff had additional problems and difficulties not faced by any other local authority in Wales. He expressed concern that if this situation carried on, sooner rather than later, Council services in Cardiff would be fatally damaged.
13. The Chief Executive agreed with the NUT representative’s assessment of the situation and admitted that the inability to persuade the Welsh Assembly

Government that what they were doing, in respect of Cardiff's financial settlement, was hampering Cardiff's role as the economic driver for the whole of Wales was a source of great personal frustration and a source of great annoyance to the current administration. He stated that, as long as he was Chief Executive, he would continue to press for a better and fairer settlement for Cardiff.

14. The GMB representative wanted to know just how far this review would actually go and suggested that this was just paving the way for eventual outsourcing of all Council services. The Chief Executive reaffirmed that the review would be thorough and comprehensive but he did not share the GMB's rather pessimistic assessment of the final outcome.
15. He pointed out that local government was changing. Local authorities were now required by the Welsh Assembly Government to explore ways of pooling their resources and working together to deliver services and the on-going Shared Services Project was a clear example of that directive in action. He reminded the trade union representatives that Cardiff Council regularly used the services of private firms and companies to deliver a wide range of services to its customers so outsourcing some tasks was already a fact of life within the Council.
16. He went on to say that the scope to develop strong partnerships with companies in the private sector was huge and, if those partnerships could deliver better & more efficient services for the citizens of Cardiff, whilst at the same time protecting Council jobs, it was a "win, win" situation for everyone. He saw partnership working with Cardiff Bus (for example) as a way of replacing the dilapidated Clare Road workshops with a modern facility although he refused to be drawn as to when that was likely to happen.
17. The trade union representatives thanked the Chief Executive for briefing them on the forthcoming operational review and the Chief Executive confirmed that he would keep them fully informed as the review progressed.

END