

POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

5 SEPTEMBER 2012

Present: County Councillor Clark.
County Councillors Bale, Hunt, Keith Jones, Knight, Lloyd,
Mitchell, Robson and Walker.

Also : County Councillor Goodway, Cabinet Member – Finance,
Business and Local Economy.

In the Public Gallery
County Councillor Richard Cook, Corria, De' Ath, Govier
and Patel.

10 : MINUTES

The minutes of the meeting of the Policy Review & Performance Scrutiny Committee held on 4 July 2012 were agreed as a correct record and signed by the Chairperson.

11 : DECLARATIONS OF INTEREST

The Chairperson reminded Members of their responsibility under Part III of the Members' Code of Conduct to declare any interest in general terms and to complete personal interest forms at the start of the meeting and then, prior to the commencement of the discussion of the item in question, specify whether it is a personal or prejudicial interest. If the interest is prejudicial Members would be asked to leave the meeting and if the interest is personal, Members would be invited to stay, speak and vote.

The following declaration was made:

<u>Councillor</u>	<u>Item</u>	<u>Interest</u>
Councillor Mitchell	General	As Chair of Riverside Advice Ltd, a charity in receipt of a small grant and involved in the tender process for Families First

12 : PROPOSED SENIOR MANAGEMENT MODEL

The Chairperson welcomed Councillor Russell Goodway, Cabinet Member - Finance, Business & Local Economy; Jon House, Chief Executive; John Gay of Hay Group; Emma Burns of Hugh James Solicitors; Ken Daniels, GMB; Mike Formosa, UNITE; and Steve Belcher, UNISON who had been invited to participate in this scrutiny of the proposed Senior Team Model.

The Chair advised that Appendix 4 to the report contained confidential information and it was therefore proposed to consider any matters arising from this document at the end of the scrutiny of this item and in accordance with the provisions of the Local Government Act 2000, which would exclude any members of the public during consideration of this legally restricted information.

The Cabinet at its meeting on 12 July 2012 considered a report outlining a proposed new Senior Team Model. The report detailed the existing and proposed Model; the Hay salary comparator analysis; and the independent confidential legal advice received.

The guiding principles for the proposed Senior Team Model were to:

- significantly reduce spend on consultancy;
- use savings to meet the cost of the new proposals;
- employ skilled senior employees, demonstrating a loyalty to the organisation, to support Cabinet Members;
- reinforce commitment to scrutiny, cabinet support, policy & communications, and member support;
- recognises the importance of all Members in delivering local democracy;
- ensure adequate resources and profile is attributed to the economic development of Cardiff as a powerhouse of the City Region;
- place Cardiff in a position to respond to Welsh Governments emphasis on collaborative delivery of services.

The Cabinet Member indicated that he did not wish to make a statement at this stage, but would answer questions.

The Chief Executive stated that the proposed Senior Team Model had been prepared to meet the vision and objectives of the Leader and her administration and to deliver on the key principles as outlined.

Consultation on the model ends on 7 September 2012, and a report would be brought forward to Cabinet in the early autumn.

The Chair invited statements from the Trade Union representatives.

Mike Formosa, UNITE stated that the proposals if implemented would cost members jobs and would affect the delivery of front line services. UNITE considered that existing Chief Officers had the competencies to fulfil the roles required without increasing the number of Directors and Assistant Directors and making a top heavy structure, when more front line services and staff were needed to deliver services and the administrations vision.

Steve Belcher indicated that UNISON was supportive of the proposals to reduce the reliance on consultants who are not as accountable as the rest of the workforce, and were seen as a waste of public money particularly in this period of austerity. It was however recognised that the Council from time to time may require consultants and certain expertise when it is not available in the workforce. UNISON supported the steps to limited the use of consultants.

The changes to the Senior Team Model however could not have been proposed at a worst time. Trade Unions had worked with the employer to facilitate Job Evaluation, and to ensure a productive outcome with a limited impact on the workforce. There were however significant numbers of employees in detriment; and this was in addition to a 3 year pay freeze imposed by National Government. The proposals for the Senior Team Model were unacceptable in the current climate. UNISON was open to consultation and working with the Council on a Model that could be agreed by all sides.

Ken Daniels drew attention to the fact that in the last 8 years there had been a number of management restructures undertaken to reduce the tiers of management and produce a leaner structure, however before the Committee was a proposal to increase the top tier of management by 50% at a cost of £1.67mn a period of national austerity and increases of 3-5% in utility and heating bills; at a time when people were at risk of losing their homes; tumbling house prices resulting in negative equity; and the pending Welfare Benefit reform. People were in for a very poor time, and yet the Senior Team in Cardiff were about to have substantial pay rises. GMB has worked hard to support the Chief Executive in bringing about change and a leaner more efficient management structure, without massive redundancies or disputes.

GMB were of the view that an increase in 50% in Senior Management posts was not essential and that the need for such a structure had not been demonstrated or quantified fully. GMB represents the lowest to the highest paid employees in the Council who are active in their communities and are voters in Cardiff. In the last 4 to 5 years there have been no pay or cost of living rises; staff have been through Job Evaluation with 1800 members having lost part of their salary; many losing thousands of pounds and some even as much as 30% of their salary. The Council had continued to employ consultants, highly paid individuals at a cost of £3.2m. GMB welcomed the statement that the use of consultants will be stopped, and indicated that it was willing to work with the Council to drive out waste and achieve cost savings that will protect front line services and service users.

GMB suggested that the cost of the proposed Senior Team Model at £1.67m did not include the add-on costs for HR; recruitment and advertising; secretarial support and office accommodation and refurbishments which would make the figure nearer £3m.

The proposals have no demonstrable benefit to the citizens of Cardiff and the GMB opposed the proposals and recommend that the money available be spent on improving care services; and in schools; and to support the most vulnerable in society; or to off-set against the £55m savings that are required over the next 3 to 4 years. There were no detailed benefits set out in the report on the proposed new model; and the proposals will sour employee relations for years to come.

The Chairperson invited questions and further discussion on the information received on proposed Senior Team Model, and during the discussion a number of observations and issues were made leading to the following comments:

- There seemed to be a lack of clarity as to whose proposals these were, but that there was a clear consensus between the Cabinet Member and the Chief Executive that the present structure would not meet the requirements that had been set by the Leader and her administration in taking the Council forward over the next 5 years;
- There was scepticism around the information that had been received and not every Member question had been answered satisfactorily;
- There were concerns regarding the timing of the consultation exercise over the summer period, and that Members had not been directly

advised of the proposals and given the opportunity to respond individually.

- Members had concerns that the proposed Senior Team Model was more of a management exercise with little evidence to support the improvement in public services;
- The Committee considered it had had very little information on the roles and responsibilities of the proposed Director and assistant Directors posts to enable them to comment fully on the proposed structure, and had particular concerns around the areas of Education, Children's Services and Adult Social Care, and the importance of integration of services; and the proposed role of the Director of Scrutiny and Members Services;
- The Committee commented on some of the lines of reporting and responsibilities and sought clarity in areas directly reporting to the Chief Executive;
- Members underlined the need for a meaningful and workable structure, using the Welsh Government model which would avoid the perpetuation of the silo based approach to service delivery at Operational Management level and above;
- Members had commented on the Cabinet Members and senior officer roles and relationships. They also noted a variance in the ratio of Directors working with Cabinet Members. While one Cabinet Member had four Directors covering their portfolio the other Cabinet Members (excluding the Leader) had one Director each.
- Members highlighted the need for resourcing services for Members, Scrutiny and in particular backbench Members, as well as the need to look at the Cabinet resource to support research and policy development with link to academic institutions, partner and stakeholder groups;
- Members noted the budgetary challenges and the predicted financial constraints in the medium to long-term allied with the need for the capacity and expertise to deliver on these challenges and the Administrations vision and Corporate Plan going forward;
- Members welcomed the savings on consultants but had concerns that the proposed Director roles would result in the appointment of generalist resulting in the continuing need for some expert advice at an ongoing cost;
- Members noted that the need for the change and efficiency programme to be integrated into core service activities and not stand alone to achieve improvements in service delivery;
- Members recognised the need for greater collaboration with other Local Authorities, and partner organisations; and noted the Cabinet

Member's comments on collaborative working and commerciality of services and the need to investigate different delivery models working with Third Sector partners and the private sector;

- The Committee felt strongly that the evidence base for the proposal needs to be strengthened as it was noted that there was no detailed evidence to corroborate the view that better paid Directors produces improved performance. Members felt that consideration should be given to wider benchmarking with other Local Authorities, such as Edinburgh and more detailed case studies to secure a firmer justification for the proposals.
- In addition, Members considered that there was merit in looking at comparator roles, and the moderation of the proposed levels of Directors salary. It was generally felt that not all the Directors would command a salary of £120k, and that the proposed salaries were more in line with consultancy levels of pay;
- Members noted that the Hay Group had provided salary benchmarking only and not the same level of detail it had provided as part of the management team re-design report in 2010;
- It was noted that the advice given in 2010 was that Cardiff's proposed management model was lean in comparison to other comparable Local Authorities, and some Members supported this finding;
- It was noted that consultants had been used as part of the management approach previously to give capacity and that the continued use of consultants may be necessary if the current structure was not reviewed;
- It was noted that the Hay Group had provided indicative pay levels and that once the structure was agreed each post would be evaluated by the Hay Group;
- Members highlighted the need to invest in its Academy programme for senior managers to ensure internal candidates can compete with the best external talent;
- The Committee questioned the overall cost of the proposals and whether they included the on-costs for Pension, National Insurance and relocation costs. They requested details of the advertising and recruitment costs; potential redundancy and pay protection costs; additional administrative support costs for example secretarial support; office costs including IT; and training and development costs. It was noted that the Chief Executive estimated the recruitment costs would be in the region of £200,000, but that there was no overall figure for all costs.

The Chairperson advised that the Committee would consider the exempt information and therefore in accordance with the regulations advised that the Committee would consider this information in private and excluded all persons other than Members of the Committee from the meeting

Members considered the detailed legal information and raised matters with the Cabinet Member, Chief Executive and Emma Burns of Hugh James Solicitors in relation to employment matters.

In conclusion, the Chief Executive advised that it was proposed that the Cabinet receive a report on the Senior Team Model in September / October. The posts would be put to advert with a selection process through the Appointment Committees taking place early in the new year with a view to having the Senior Team in place by April 2013. It maybe that through the initial selection process that not all post would be filled as it was important to recruit the management team that to deliver on the Leaderships agenda.

The Committee discussed the way forward.

AGREED – That the Chairperson write to the Cabinet Member for Finance, Business and Local Economy and the Chief Executive detailing the Committee’s response from its scrutiny of the Senior Team Model as its response to the consultation process as follows:

- (1) the Committee was not convinced that the proposed Senior Team Model under consideration had its roots in improving public service. Members were concerned that it was largely a management exercise, and that the proposals render the organisation top heavy;
- (2) the Committee felt there was a lack of ownership, and had concerns about the timing of the consultation exercise over the summer period, and the opportunities given to Members to respond individually. We were also disappointed that members were not all written to directly with the formal consultation details and proposed job profiles;
- (3) the Committee had specific areas of concern, which included:
 - SilosThe Committee took on board the Chief Executive’s clear message that Senior Managers do not report directly to Members. The

Cabinet Members provide leadership whilst the managers deliver services. Members had concerns however that the proposed model risked a silo approach to service delivery, with Directors, Assistant Directors and the relevant Cabinet Member developing strong relationships.

The Committee also noted a variance in the ratio of Directors working with Cabinet Members. While one Cabinet Member had four Directors covering their portfolio the other Cabinet Members (excluding the Leader) had one Director each.

- **Costs**
Members were unanimous that the full costs of the proposal had not been identified and required further analysis. The £1.67 million outlined in paragraph 18 of the Cabinet report only covered salary, employer's national insurance and pension costs. The Committee heard that recruitment would be an additional £200,000. More information was required for the costs of salary protection arrangements, potential redundancy payments, potential Employment Tribunal costs, administrative support, office accommodation, training and legal advice resulting from the proposed senior team model.

Additionally, it was felt that the level of management proposed would result in generalist rather than specialist managers. This approach could, therefore, result in a potential need for consultants and, consequently, the savings proposed failing to materialise.

- **Evidence base**
The Committee felt strongly that the evidence base for the proposal was insufficient. Consideration should be given to wider and clearer benchmarking with other local authorities, and more detailed case studies, cities such as Edinburgh, to secure a firmer justification for the proposals.

Members heard that Hay had provided salary benchmarking as requested but felt that it would have been appropriate to secure a stronger evidence base from Hay, as had been the case when re-designing the management team in 2010. More explanation was needed for the information provided by Hay. For example, the names of the core cities and a rationale for inclusion of the London Boroughs in the modelling where the cost of living is generally higher than in Cardiff.

The Committee particularly considered that an analysis of how senior manager's pay links to the performance of local authorities should be provided. This was especially important in the context of staff delivering front line services in Cardiff having a pay freeze in recent years and staff numbers having been reduced.

- Disruption

The Committee was unanimous in concerns that the proposals heralded too much change too quickly, and suggested that a phased approach be considered, particularly around key areas which needed strengthen arrangements such as Social Services and Education, and thereafter a gradual approach to the review would avoid unnecessary disruption across the organisation. The impact of the proposals on the layers of staff below the senior team needs to be taken into account.

- Member Support

Members were supportive of Cabinet commitment to strengthen scrutiny resources to provide a strong and effective challenge, and to facilitate scrutiny's ability to contribute to policy development. The Committee agreed that Member support is important, and that scrutiny is currently under resourced, however had concerns that a Director of Scrutiny and Members Services was an unnecessary investment. In general the Committee considered that there would be merit in further comparison of roles, and moderation of levels of Directors salary.

13 : BUDGET STRATEGY 2013/14

The Chairperson welcomed Councillor Goodway, Cabinet Member - Finance, Business & Local Economy, and Christine Salter, Corporate Chief Officer and Section 151 Officer who were in attendance to brief the Committee on the Councils strategy for developing its budget, the timescales and challenges faced.

The Cabinet and Council in July 2012 considered a report on the Budget Strategy and the timetable for preparation of the 2013/14 budget. The 2013/14 budget report would be presented to Council on 28 February 2013 and is reported against a three year indicative budget published by Welsh Government (WG) in November 2011.

The framework for the budget strategy is the Corporate Plan and the Year One Vision Document. The financial strategy for 2013/14 will be based on the Corporate Plan and issues arising from the Council's Statement of Internal Control, the Corporate Risk Register and performance management reports.

The Committee receive a presentation from Corporate Chief Officer and Section 151 Officer which detailed the background for the Budget Strategy going forward. The strategy was set within the context of the Chancellor's budget announcement in March and a downgrade in growth forecasts for 2013; predicted inflation forecasts; and an increase in national debt forecast from current level of 67% of national income to 76% in 2014/15. In addition, there was the continuing Eurozone debt crisis which was impacting negatively on financial markets, and the current indication was that Welsh Government (WG) would seek to update the key pressures and risks facing WG and Local Government (LG) for 2013/14.

Members were advised that the indicative Aggregate External Finance (AEF) figures were available from WG but there were risks around potential formula and data changes, for example the potential loss of £1.4m for Cardiff in respect of Free School Meal data change; and the impact of specific grants transferring into settlement together with changes to the quantum - e.g. Learning Disability Resettlement Grant (LDRG)

The Committee was advised that the key risks around LDRG were related to proposed distribution mechanism changes. The current recommendations for 3 year phasing would result in a loss of £1.3m per annum for Cardiff to 2015/16, compared to immediate loss of £3.9m as previously proposed. The position would be kept under close review until finalised.

There also remained a continuing requirement to protect schools and social care budgets with a minimum of 2.08% growth requirement for 2013/14.

The Committee was advised of the Medium Term Financial Plan (MTFP) agreed at Council in February 2012 which identified a funding gap of £49m over the period 2013/14 – 2015/16. Currently the medium term gap was estimated to be around £55m. However Members were advised that the MTFP is a snapshot at a point in time and the position fluctuates

and is affected by a number of factors including external funding streams; pay awards; and policy decisions at a local and national level.

The Strategy for 2013/14 had identified a funding gap of £18m which took into account the full year and future year implications of 2012/13 budgetary decisions; areas of significant inflationary and demographic pressures; increments and financial implications of the ongoing implementation of the pay and grading model; indicative funding from WG; and further impact of policy items introduced in 2012/13.

The Committee was advised that the funding gap could reach £21m when allowance are made for the cost of any new initiatives to be supported by the new administration, for example the use of reserves as a commitment to 2013/14 Council Tax Freeze; and the funding uncertainties coming out of Distribution Sub Group (DSG) findings

Chief Officers had been asked to propose savings totalling £21m, which equated to 14.6% of service area controllable budgets (with protection for social care and delegated schools). These savings proposals were to comprise of £13m in cuts or income generation; and £8m in efficiency savings including the full year effect of 2012/13 savings along with new efficiency savings. The split of target savings figures were subject to review as the position on in year efficiencies mature and the new efficiency programme was developed.

Details of the next steps were set out which required service areas to submit detailed proposals in September 2012 to allow for preparatory work to be undertaken in the autumn and further guidance on savings and new efficiency programme is provided. The provisional settlement information from WG will be received in October and a report submitted to Council in December on the Council Tax Base. The Final Settlement will be received in December which will allow for fine tuning of budget proposals and consideration of MTFPs early in the new year in preparation for consideration of the Corporate Plan and Budget by Cabinet and Council in February 2013

The Committee was advised of the proposed medium term strategy, and were advised that the average level of savings achieved over the past four years had been £14.8m. The current MFTP suggests that there will be continuing need to close a resources gap of an average of £18m per annum before the consideration of any growth items. In addition there were further significant pressures that will require quantification, in

particular issues around Council Tax Support Scheme and the Welfare Benefit Reforms, particularly around recovery issues.

The Committee was updated on the ongoing reduced level of resources available from WG for the Capital Programme. The current approved General Fund Capital Programme had a cumulative need for additional borrowing of £140m and general capital receipts of £9.5m. New schemes need to be predicated on being self financing over a prudent period of time and supported by a robust business case; or need to attract a significant level of partnership or external grant support where the Council's contribution is also required.

The Corporate Chief Officer advised that schemes approved in previous years were being reviewed to ensure that the long-term strategic aim was still valid; and that Capital bids submitted in September should allow for consideration of Annual Sums as WG funding would be insufficient to meet current commitments; as well as giving consideration of the limited scope for new capital schemes.

The Chairperson thanked the Corporate Chief Officer for her presentation and invited discussion on the detail with Members. During the discussions the following key matters were raised:

- The Committee noted that the current level per annum of capital receipts realised was between £3 and £5m, and that this was significantly lower than in previous years;
- The Committee was interested in the strategy for dealing with land and estates in particular for dealing with small parcels of land in the Council's ownership;
- It was noted that a review was underway on the proposals for the administrative estate, and that this would be extended to trading buildings. It was noted that work to make County Hall fit for purpose had been estimated at £20m and that planned work would be phased;
- The Committee was keen to understand the current position with education estate and the schools reorganisation plan;
- The Committee noted that the percentage of the budget relating to Council Tax was 18-20%;
- It was noted that the cumulative effect of the year on year cuts was requiring a greater overall percentage of efficiencies and savings;
- Members raised concerns about the potential effect on the budget of costs of the proposed new Senior Team Model and other manifesto commitments for example the freezing of Council Tax and the impact of the introduction of the Living Wage;

- Concerns were raised about the transformation now efficiency programme savings and the year on year savings required to balance the budget;
- It was noted that the pressures on the WG budget were equally severe and that in view of the funding gap for Local Government the WG were advocating greater collaboration between Local Authorities and statutory partners;
- Members questioned what impact the latest Census figures would have on future funding and noted that the full effect of any changes to grant formula would not be felt until 2014/15;
- Members questioned the Council's investment and borrowing policies, and interest rates and were assured that the Council kept within strict financial guidance and monitored both investments and loan rates ensuring that rates were favourable. The Council only deals with triple A rated companies. All financial investments and borrowings are subject to strict risk assessment;
- The Committee noted the savings target required in 2013/14 at £21m which equated to 14.6% of service area controllable budgets. It was noted that in some areas it would be difficult to meet this target.

The Chairperson thanked the Cabinet Member and the Corporate Chief Officer for responded to Members questions. The Committee discussed the way forward.

RESOLVED – That the proposed Budget Strategy 2013/14 be noted further consideration be given to the Cabinet's Budget Proposals in February 2013.

14 : WORK PROGRAMME 2012/13

The Council's Constitution states that each Scrutiny Committee will set a work programme for the forthcoming year. The Committee had met on two occasions to consider potential topics and prioritise items. The final draft programme had been circulated for approval.

The Chairperson also sought expressions of interest for the proposed Task and Finish Groups on Public Engagement in Scrutiny and Performance Management. The resources for taking these inquiries forward were currently unconfirmed, however at least one of the Task and Finish inquiries would be undertaken in the period.

RESOLVED – That

- (1) the Work Programme as presented be approved;
- (2) the Principal Scrutiny Officer seeks nominations by email from the Committee to the proposed Task and Finish Groups.

15 : FUTURE MEETING DATES

Members were advised that the next scheduled meeting was 3 October 2012. The agenda was proposed to include

- LDP Preferred Strategy – Report of the Joint Scrutiny Committees inquiry
- Welfare Reform – Briefing Report
- Budget & Performance Monitoring Month 3 - for information only

In addition, the Chairperson advised that there were two items to be considered by Cabinet on 20 September that have been offered to the Committee for pre-decision scrutiny, papers for which were unavailable at the time of this meeting. These items were:

- Equal Pay Settlement
- Implications of the Living Wage

In order to meet the requirements of the Local Government Act 2000 the meeting could not be convened before 12 September 2012, and to allow for effective pre-decision it was proposed that the meeting be held the week commencing 17 September 2012. It was requested that the meeting be arranged for 4.30pm at the City Hall

RESOLVED – That an additional meeting of the Scrutiny Committee be arranged for Tuesday 18 September 2012 at 4.30pm and, subject to room availability, be held at City Hall.