

## Report of the Leader

Council – 26 November 2015

### APPOINTMENT OF CHIEF EXECUTIVE

<b>Purpose:</b>	To provide Council with options to replace the Chief Executive
<b>Policy Framework:</b>	Standing Orders
<b>Reason for Decision:</b>	To enable a replacement to be appointed when the current Chief Executive retires
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that:  1) An interim Chief Executive be appointed on an internal basis ring-fenced to the existing Directors  2) The successful candidate would be paid the same remuneration as the current Chief Executive
<b>Report Author:</b>	Steve Thomas, Chief Executive Welsh Local Government Association
<b>Finance Officer:</b>	Mike Hawes
<b>Legal Officer:</b>	Patrick Arran
<b>Access to Services Officer:</b>	Not applicable

#### 1.0 Introduction

The Chief Executive, Mr Jack Straw, has informed the Leader of his intention to retire from the Council on the 29<sup>th</sup> May 2015. The Leader has agreed to this request. This report is to provide Council with the options open to it to replace the Chief Executive.

- 1.2 There is no legal requirement to have a Chief Executive, but a local authority must designate one of its officers as the Head of their Paid Service.<sup>1</sup> However, the post of Chief Executive entails far more than the

<sup>1</sup> Local Government & Housing Act 1989 - Section 4

duties of the statutory Head of Paid Service and virtually all local authorities have a Chief Executive.

- 1.3 In order to ensure probity and transparency of process the Leader has asked Mr Steve Thomas, the Chief Executive of the Welsh Local Government Association to provide independent advice to Council. On the assumption that Council will wish to appoint a successor to Mr Straw, there are four options available.

## 2. Options

The options are as follows:

- External permanent appointment
- Shared Chief Executive with Neath Port Talbot
- External temporary appointment
- Internal temporary appointment

- 2.1 The pros and cons of each option is set out below

### 2.2 External Recruitment of a new Chief Executive

#### **Pros**

- Refreshing the senior leadership approach with candidates applying from outside the authority opens the organisation up to a larger pool of applicants and wider experience/seniority
- “Fresh pair of eyes” - Hiring a candidate with a proven track record in a different local government context allows the Council to get an insider's view as to what the other mechanisms of delivery and governance can be successful
- Hiring an external candidate also opens up many opportunities to find experienced and highly-qualified and skilled candidates who will help the Council meet its diversity requirements
- Allows good internal candidates the opportunity to “throw their hat in the ring”.
- Underpinned by a clear process which is open, transparent and led by councillors

#### **Cons**

- Longer process- can be between 3 and 6 months with recruitment and notice.
- More expensive process due to advertising and interviews required.

- Good practice tends to dictate a psychometric testing and assessment centre. Cardiff's total cost for recruitment of a Chief Executive was reported at £53k which included an executive search. This is "top end" but anything between £20k to £35k would not be unusual
- Selection process may not be effective enough to reveal the best candidate, equally the salary level may need to be revisited (Attracting existing Chief Executives from England can be difficult as salaries are usually much higher than Wales – See Appendix 1 below)
- Outside candidates can take time to "hit the ground running". It can also impact on the morale of internal candidates not chosen for the role.
- Would need to be examined with Welsh Government in light of proposed local government re-organisation. The Minister for Public Services has recently written to Carmarthenshire and Ceredigion asking them to explain why they have proceeded to make permanent appointments at this time. Although it must be noted that Welsh Government do not as yet have any legal power to prevent local authorities making such appointments.

2.2.1 The Chief Executive salary is recommended by the Independent Remuneration Panel (Section 143A Local Government Measure 2011) and local authorities have to "have regard" to the recommendation. This applies where the salary changes up or down. This will be an issue to consider in the event of a permanent external appointment or an interim internal or external candidate being retained on anything other than the existing salary.

### 2.3 Conclusion

Given the current uncertainty regarding local government re-organisation, this option **is not recommended** at this time. It will however have to be revisited in due course and this will be set out below in relation to the option which is being recommended.

## 3. Sharing a Chief Executive with another authority

## Pros

- Clearly chimes with the need for greater efficiency and resource savings.
- Could anticipate the direction of travel on local government re-organisation.
- Could open up the opportunity for creating wider pooling of officer resources across authorities
- Would cement the City Region approach around Swansea
- Would probably find favour and support in Welsh Government

## Cons

- It takes “two to tango”. It can only happen when the two councils or more agree it is reasonable, feasible and productive.
- The track record of this approach is very limited and not associated with hugely successful outcomes particularly in unitary authorities.
- Requires a person of huge capacity and capability to take on “two jobs”.
- “Creates a Servant with two masters”. Dealing with two groups of politicians in a non-merged council creates extra layers of complexity and can lead to significant problems of dual accountability
- The scale and focus of the job is an issue. Can a large city council, facing huge cuts afford to risk an approach where the Chief Executive is essentially “part time”?

### 3.1 Conclusion

The challenges facing this Council and the uncertainty over local government re-organisation mean that this option carries too much risk. If Welsh Government takes any concrete steps toward local government re-organisation in the near future, then this option would need to be re-considered. However, there is little prospect of any immediate momentum prior to the Welsh Government elections in May 2016.

This option **is not recommended**.

### 4. Interim appointment - External Advertisement

## Pros

- Refreshing the senior leadership approach with candidates applying from the outside the authority opens the organisation up to a larger pool of applicants and wider experience/seniority.
- Interim solutions are a useful, and often necessary, short-term fix particularly in a climate of political and organisational uncertainty.
- “Fresh pair of eyes” - Hiring a candidate with a proven track record in a different local government context allows the Council to get an insider's view as to what the other mechanisms of delivery and governance can be successful
- External interims are “Pay As You Go” and are not on the payroll.

## Cons

- Sourcing an interim who fits within the organisation culture can often be difficult.
- An interim solution sometimes has the negative impact of essentially putting the authority on hold until a permanent solution is achieved
- Outside candidates can take time to “hit the ground running”. It can also impact on the morale of internal candidates not chosen for the role
- External interims are usually former chief executives with high levels of experience but often a variable track record
- Can be an expensive option with high daily rates

### 4.1 Conclusion

This is **not an option that is recommended** due to the challenges facing the Council and the need for stability and continuity in the short term. In the absence of a permanent appointment the Council will need someone who is able to act into the post immediately with sufficient corporate knowledge to ensure continuity.

### 5. Ring-fenced Internal Recruitment

## Pros

- Interim solutions are a useful, and often necessary, short-term fix particularly in a climate of political and organisational uncertainty.
- An internal interim resource can hit the ground running with knowledge of the authority, its culture and a good understanding of the issues it faces.
- Investing in an Interim position can significantly boost team morale and signal a clear intent to make best use of available resources.
- An interim appointment can become permanent and - subject to paragraph 5.1 below - could be looked upon as a trial period with no long-term commitment.
- Would be likely to be acceptable to Welsh Government in light of proposed local government re-organisation as this has occurred in other authorities recently for example RCT

## Cons

- If there is a change to the salary there would need a dialogue to be commenced with the IRPW
- An interim solution can lead to a period of uncertainty especially if the candidate is perceived as a “stopgap” to the next appointment.
- Can militate against the taking of tough choices and long term strategic decision making
- Appointing an interim may be perceived as not properly testing the market and failing to recruit from a wider talent pool.
- Can be perceived as a cautious approach when a transformative one may be required.

5.1 As with a permanent appointment, this option would ordinarily engage the legal requirements set out in the Local Authorities (Standing Orders) (Wales) Regulations 2006 which require posts over £100k to be advertised. However, there is an exemption to this requirement when the local authority proposes to appoint a Chief Officer for a period of no longer than 12 months. Therefore, it would be in order to appoint an internal candidate as part of a ring-fenced process subject to the time

limitation on the appointment. It is in order to restrict the pool of eligible applicants to the current Directors.

## 5.2 Conclusion

Taking everything into account, **this is the option that is being recommended to Council.** It will provide a level of stability leading up to the local government elections in 2017 when a permanent appointment can be made.

- 5.3 However, there will have to be a careful consideration of the timeline bearing in mind that the authority will have to advertise and appoint to coincide with the end of the maximum 12 month period unless Welsh Government grants dispensation to exceed this. Therefore, the process, including a future permanent appointment will need to be carefully choreographed to ensure there was no prospect of the authority acting unlawfully either by extending past the 12 month time limit or by not having a Head of Paid Service.

## 6.0 **Equality and Engagement Implications**

There are no equality and engagement implications arising from the recommendation.

## 7.0 **Financial Implications**

- 7.1 It is proposed that the interim Chief Executive would receive the same remuneration as the current Chief Executive. There will be an overlap of approximately one month to facilitate a hand-over and therefore, there will be an additional cost whilst both the current Chief Executive and the interim are in post

- 7.2 The current Chief Executive will not receive any payment from the City and County of Swansea on retirement although the Council will have to reimburse the Pension Fund for any pension costs payable prior to normal retirement age. Any costs incurred will be dependent on personal decisions by the current Chief Executive on pension options but will be paid on an unreduced basis which is consistent with all other employees who would take Early retirement prior to normal retirement age.

- 7.3 It is anticipated that any restructure arising from the appointment made will be met from within existing Council Budgets.

## 8.0 **Legal Implications**

There are no legal implications in addition to those already set out in the report.

## 9.0 **Equality Implications**

There are no equality implications arising from this report.

**Background Papers:** None

**Appendices:** Sample Pay Rates



## Sample Pay Chief Executives in England

Council	Name	Job title	2012-13 remuneration (£)				Total remuneration 2011-12 (£)	Notes	
			Salary	Compensation for loss of office	Other payments	Employer pension contributions			Total
Surrey	D McNulty	Chief Executive	210,350	0	4,053	31,132	245,535	245,133	-
Wandsworth	Mr. C. J. Buss	Director of Finance and Deputy Chief Executive	185,913	0	19,639	39,054	244,606	238,787	-
Newham	Mr. K Bromley Derry	Chief Executive	195,000	0	0	44,655	239,655	237,315	-
Birmingham	S Hughes	Chief Executive	205,000	0	0	33,210	238,210	260,360	-
Bradford	Tony Reeves	Chief Executive	204,948	0	1,239	30,555	236,742	227,459	-
Essex	Joanna Killian	Chief Executive	210,000	0	819	25,830	236,649	254,769	-
Lambeth	Derrick Anderson	Chief Executive	193,075	0	11,033	32,437	236,545	226,290	-
Lancashire	P Halsall	Chief Executive	194,655	0	5,300	36,400	236,355	235,781	-
Kensington and Chelsea	Derek Myers	Joint Chief Executive	209,866	0	14,686	11,738	236,290	266,991	-
Liverpool	Ged Fitzgerald	Chief Executive	199,500	0	11,856	24,926	236,282	233,793	-
Hampshire	Andrew Smith	Chief Executive	207,372	0	0	27,166	234,538	234,538	-
Bexley	Will Tuckley	Chief Executive	185,397	0	10,621	38,192	234,210	234,507	-



## Welsh Local Authority Chief Executive Remuneration

Figure 8 – Unitary Authorities – chief executive salary trend

Local government	2009-10	2010-11	2011-12	2012-13
Anglesey County Council (Isle of)	£124,700	£227,900	£110,986	£141,000
Blaenau Gwent County Borough Council	£114,146	£111,866	£103,050	£107,347
Bridgend County Borough Council	£131,251	£131,178	£131,091	£109,263
Caerphilly County Borough Council	£131,645	£123,665	£123,665	£144,598
Cardiff County Council	£176,376	£176,376	£179,663	£183,726
Carmarthenshire County Council	£164,847	£165,349	£185,365	£181,645
Ceredigion County Council	£102,821	£105,523	£108,226	£108,226
Conwy County Borough Council	£111,863	£114,435	£100,140	£105,851
Denbighshire County Council	£108,722	£131,667	£124,859	£125,000
Flintshire County Council	£131,233	£131,233	£131,233	£131,233
Gwynedd Council	£108,264	£108,264	£108,264	£108,264
Merthyr Tydfil County Borough Council	£137,195	£137,195	£120,213	£120,495
Monmouthshire County Council	£110,000	£110,000	£110,000	£110,000
Neath Port Talbot County Borough Council	£134,253	£134,253	£129,725	£134,253
Newport City Council	£116,836	£116,836	£122,770	£134,636
Pembrokeshire County Council	£156,745	£159,462	£208,170	£194,661
Powys County Council	£124,000	£127,000	£130,000	£133,000
Rhondda Cynon Taf County Borough Council	£142,000	£142,000	£142,000	£142,000
Swansea (City and County of)	£155,901	£163,077	£140,000	£140,000
Torfaen County Borough Council	£111,278	£111,278	£110,850	£111,279
Vale of Glamorgan Council	£143,026	£141,469	£146,412	£133,565
Wrexham County Borough Council	£107,472	£109,040	£105,000	£109,000