

ACCOUNTS COMMISSION FOR SCOTLAND

ABERDEEN CITY COUNCIL: REPORTS BY THE CONTROLLER OF AUDIT ON THE
AUDIT OF BEST VALUE AND COMMUNITY PLANNING AND ON THE
PROPERTY SALES INVESTIGATION

PUBLIC HEARING

at

Town and County Hall, Town House, Castle Street, Aberdeen
on

Tuesday 13th May and Wednesday 14th May 2008

BEFORE:

MR JOHN BAILLIE
(Chairman)
MS ANN FAULDS
MR KEITH GEDDES
MR IAIN ROBERTSON
MR DOUGLAS SINCLAIR

DAY ONE, Tuesday 13th May

From the shorthand notes of Ubiquis
Cliffords Inn, Fetter Lane, London EC4A 1LD
Telephone: 0207 269 0370

1 THE CHAIRMAN: Ladies and gentlemen, good morning. Let me extend a warm
2 welcome to this public hearing. My name is John Baillie and I am Chair of the
3 Accounts Commission. In a moment I will take you through the procedures that
4 we will be following over the course of this public hearing but first of all I will
5 ask Catherine Coull, the Secretary of the Accounts Commission, to go through
6 with you the usual health and safety announcements in any public hall.

7 MS COULL: Thank you, and good morning. Aberdeen City Council obviously has a
8 no smoking policy and so you are requested to refrain from smoking at all times
9 whilst in the building. In the event of a fire or another emergency requiring the
10 evacuation of the building you will hear a continuous single tone and you should
11 proceed immediately out of the building via the designated exit routes, either out
12 through the door through which you came in, back down the staircase and down
13 to the ground floor, or the alternative means of escape is through the door at this
14 end of the hall into the Bon Accord Room, and from there you can access the
15 escape stairwell via the fire door in the middle of the far wall. When you get out
16 of the building you should proceed to the Arts Centre in Queen Street where we
17 would wait until clearance is given to return to the building.

18 The closest toilets are located on your right hand side as you approach the
19 main spiral staircase.

20 It would be appreciated if mobile phones could be switched off or put on to
21 silent mode.

22 For anyone with hearing difficulties there is a hearing loop system in this
23 room linked to the sound system, so if you wish to put your hearing aids to the 'T'
24 position you should be able to hear via that system.

25 THE CHAIRMAN: Thank you, Catherine.

26 This is a formal meeting of the Accounts Commission for Scotland under
27 section 103 of the Local Government (Scotland) Act 1973. This is a hearing in
28 respect of a report by the Controller of Audit on the audit of Best Value and
29 Community Planning in Aberdeen City Council. Copies of that report have been
30 available on Audit Scotland's website and there are copies available here today
31 for the public. This is also a hearing in respect of the report by the Controller of
32 Audit into the property sales investigation of the Council. Copies of that report
33 have also been made available on the website and again there are copies available
34 here today.

35 When the Accounts Commission receives a report by the Controller of Audit it
36 can do all or any of the following, or indeed none of them: direct the Controller

1 of Audit to carry out further investigations; hold a hearing; state its findings.
2 The purpose of this hearing is to allow the Commission to give consideration to
3 the Controller of Audit's reports with a view to making findings. Those findings
4 may include recommendations for action and may be directed to the Council or to
5 Scottish Ministers. If recommendations are made to Ministers they may include a
6 recommendation that a Ministerial Order be made requiring the Council to take
7 any action specified in the order.

8 We are therefore here to listen to representations that will be made and to ask
9 questions that will help us reach our findings. I would stress that the Commission
10 does not have a role in setting Council policy and so, while we can make
11 recommendations, we do not have powers to decide matters regarding the
12 running of a council. We have received some representations regarding the effect
13 of budget cuts. Decisions such as those relating to the amount of funding of
14 services are primarily matters for councils to decide and, while we have read with
15 interest all the submissions sent to us, we do not have powers to overturn the
16 decisions of the Council.

17 We have also received a number of representations regarding the recent
18 decisions on the future of a number of schools. Again we have read these with
19 interest but we have no powers to change the decisions of the Council in this
20 regard.

21 We are not here to act and operate as a court of law and I will attempt to keep
22 proceedings as informal and relaxed as is appropriate, consistent always with the
23 aim of allowing those who wish to express their views to do so and to allow the
24 Commission to obtain a clear understanding of the issues.

25 Let me introduce you to the other members of the Commission who are here
26 today; on my extreme left Iain Robertson, next to me Douglas Sinclair; on my
27 extreme right is Keith Geddes, then Ann Faulds, and sitting next to me on my
28 right is Catherine Coull, the Secretary of the Commission. As I say, Catherine
29 Coull is the Secretary and we may refer to her for advice during the hearing. If
30 you are giving evidence to the hearing could I ask you, please, if you would make
31 yourself known to Catherine at an appropriate break in the proceedings if you
32 have not already done so.

33 A note of the procedure that we will follow has been made available to
34 witnesses and copies are again available in the hall. We intend to hear in the first
35 instance from the Controller of Audit and where appropriate the audit team. We
36 will then ask representatives of the Council to give evidence, and in addition to

1 that we have invited a number of other individuals and bodies to speak.

2 We received a number of applications but the following are those who will be
3 asked to speak, and you can see from my shuffling of paper here that this has
4 been changing right up to the last minute. Firstly we will ask Audit Scotland; we
5 will then ask Aberdeen City Council; then Councillor Alan Milne, Leader of the
6 Conservative Group, and Councillor Leonard Ironside thereafter, Leader of the
7 Labour Group; then Karen Donnelly from Unison; then there will be a joint
8 hearing of four representatives of unions, Janet Adams of GMB, Grant Bruce,
9 EIS, Graham Trann, Unite (Amicus), and Tommy Campbell, Unite (T&G); then
10 Rhonda Kelly, Chief Executive of the Aberdeen Council of Voluntary
11 Organisations; Paul Hannan, Chief Executive of the Cyrenians; and, finally,
12 Sultan Feroz, Aberdeen Trades Union Council.

13 We received a number of applications to be heard from other individuals. We
14 have applied the following criteria to those applications: the relevance to the
15 audit report; the relevance to the Commission's particular areas of interest in the
16 report; the contribution to assisting the Commission in considering the report;
17 and whether the individual is an individual or is a representative of a group. We
18 have therefore had to decline to invite a number of people to give evidence.

19 Each witness or group of witnesses will be given the opportunity to make an
20 opening statement and we have asked them to confine this to a maximum of 10
21 minutes, please. Members of the Commission in turn will then ask questions of
22 the witnesses. At the conclusion of each witness's evidence I will give them the
23 opportunity to say anything else that they wish us to take into account.

24 The Controller's reports cover a wide variety of issues, and again I must stress
25 that the purpose of the hearing is to allow the Commission to make findings on
26 those reports. As I have said, we appreciate the concerns regarding particular
27 budget cuts and in relation to the decision to close a number of schools.
28 However, I do reiterate that the hearing will be restricted to the matters covered
29 in the Controller of Audit's reports.

30 The particular issues therefore that we wish to address are these: firstly, the
31 pace of improvement in achieving the Council's vision for the area; secondly, the
32 capacity of the Council to secure change; thirdly, why the staff commitment to
33 the programme of change does not seem to have been achieved; fourthly, the
34 Council's financial position; and, last, the issues arising from the report on the
35 property sales and in particular the management and governance arrangements
36 pertaining to these and future transactions.

1 Let me stress that the issues we are exploring in relation to the property sales
2 do not relate to the actions taken by any individual member of staff and I cannot
3 and will not allow any evidence that attempts to apportion responsibility to any
4 member of staff. Our interest is in the management and governance
5 arrangements of the Council.

6 This first session of the hearing will last until around 1 o'clock. We will
7 reconvene after lunch and it is likely that the hearing will be adjourned and
8 reconvene tomorrow at 10 am. That at least is our tentative plan. At the
9 conclusion of all the proceedings I will adjourn the hearing so that the
10 Commission can consider the Controller of Audit's reports in the light of what it
11 has heard and make its findings thereafter as expeditiously as possible. If it is
12 necessary for the hearing to be reconvened I shall do so, although I obviously
13 hope that that will not be necessary.

14 Can I just say finally, ladies and gentlemen, I give you another reminder about
15 mobile phones; can you please make sure they are off. I have just checked mine
16 and it is off.

17 Let me then ask the first witness, Caroline Gardner, Controller of Audit, to
18 make an opening statement.

19
20 Opening statement by Caroline Gardner, Controller of Audit

21
22 MS GARDNER: Thank you, Chairman, and good morning. I would like to start by
23 introducing the members of my team. On my left I have Cathie Wyllie, who is a
24 partner with Henderson Loggie, the external auditors of Aberdeen City Council.
25 On my right is Antony Clark, who is Assistant Director in the Public Reporting
26 Group who oversaw the finalisation of the audit of the Council; and on my far
27 right is David Pia, who is the Director of Public Reporting for all our local
28 government work. We hope that together we will be able to answer any
29 questions you may have. Before that I would like to start by briefly summarising
30 the key findings from the Best Value audit report on Aberdeen City Council. I
31 will then go on to mention my recent report on property disposals and its links
32 with the Best Value audit findings before finishing with a short explanation of the
33 reasons for the extended period over which the audit took place and how I
34 assured myself that the Best Value audit report gives an up to date picture of the
35 Council as at March 2008.

36 Starting with the Best Value audit report, it is clear that Aberdeen City

1 Council has been involved in an ambitious programme of modernisation and
2 change for over a decade. Progress is being made but we believe there is still a
3 significant gap between its aspiration to be a leading council in northern Europe
4 and the reality on the ground in some areas. As the report makes clear, overall
5 service performance remains mixed. Several recent inspection reports have
6 identified significant weaknesses in the Council's core services of education,
7 social work and housing, and a further inspection report on social work services
8 is expected soon which is also likely to be very critical.

9 Aspects of some services are very good, such as the usage of learning centres
10 and learning access points, the speed of assessing people who are homeless, and
11 the condition of roads in Aberdeen, but even within those service areas there are
12 performance weaknesses. Mixed progress within and across the range of services
13 is a common pattern in Aberdeen city.

14 While the Council's long-standing commitment to continuous improvement is
15 leading to change in some areas service improvements cannot be consistently
16 demonstrated and the Council acknowledges that it has found difficulty in putting
17 its vision into practice and achieving the changes it desires. Elected members,
18 the Chief Executive and his management team have all felt frustrated by the slow
19 pace of change which they attribute to a culture of non-compliance with
20 corporate systems and processes, and they believe this explains why corporate
21 initiatives have not succeeded in the past.

22 We believe there is still a long way to go in achieving a culture where the
23 Council can demonstrate that all its services are improving. The Council's
24 leadership has struggled to take staff with it and there is poor morale. We found
25 particular difficulties with staff understanding of the relationship between
26 strategic leadership at the centre of the Council and the new area based service
27 delivery arrangements. The Council does recognise that it needs to secure better
28 understanding and commitment among staff to its programme of change and it is
29 clear that effective staff involvement in the transformation programme will be
30 central if that is going to happen.

31 At the same time the Council's financial position is precarious. It has had
32 significant deficits over the last two years and a further deficit is forecast for the
33 financial year that has just finished. The balance on the general fund is forecast
34 to be £2.9 million at the end of March, which is significantly below the £9.3
35 million required under Council policy and likely to be below the level required to
36 cover the financial pressures that the Council faces. Rebuilding that financial

1 position at the same time as improving services is bound to be a major challenge
2 and we are concerned that the Council has failed to deliver its planned savings in
3 the past.

4 The new management team is showing signs of progress and the Council has
5 committed significant additional resources to supports its transformation
6 strategies. But we believe it is not yet possible to say whether the Council's
7 leadership has the capacity and capability to transform the organisational culture
8 and deliver the service improvements which it recognises are needed.

9 Moving briefly on to the property disposal report, the Commission considered
10 this report at its meeting on 30th April. I issued this second report because it
11 reinforced concerns about scrutiny and about organisational culture which were
12 highlighted in the Best Value report, and in particular the finding that while
13 members are keen to scrutinise service performance the information they receive
14 to do so is not always fit for purpose.

15 The property disposal report was based on preliminary enquiries by external
16 auditors into the sale of Carden House following which senior officers of the
17 Council asked internal audit to carry out a wider review of property transactions
18 between 2001 and early 2006. The investigation identified some serious
19 problems: evidence of procedural and administrative deficiencies and poor
20 record keeping; cases where accurate and relevant information was not reported
21 to elected members; a lack of evidence to support the valuation at which some
22 properties were sold; and cases where the Council may have achieved a better
23 price. Overall it appears that there is a potential loss of capital receipts which
24 may be more than £5 million.

25 The Council has taken action in these areas but I decided that it was in the
26 public interest to report these concerns so that the Commission could take them
27 into account in considering the overall position at the Council.

28 I would like to finish by saying a few words about the time taken to finalise
29 the Best Value audit report. The main audit field work on which the report is
30 based took place between November 2006 and January 2007 but completion of
31 the audit report was delayed by the elections last May and by the illness of two
32 key members of the audit team. In the light of that delay we identified a senior
33 member of staff, Antony Clark, to complete the audit report and a draft of the
34 report was submitted to Council in November last year. Because of the time
35 taken to reach that stage I asked the Council to submit additional evidence to
36 bring it up to date and also to reflect changes and progress made since the field

1 work was carried out.

2 Over 40 additional pieces of evidence were submitted by the Council as part
3 of that process and these were reviewed and taken into account in preparing the
4 final audit report. On that basis I am confident that the report considered by the
5 Commission presents an accurate position of the Council's situation in March.
6 For example, the judgment about the financial position was based on the
7 Council's February 2008 budget monitoring and the Council's approval in mid
8 February of transformation strategies for environmental services, sports services
9 and waste management is also reflected in the audit judgments.

10 I hope that I have given you a useful summary of the overall position for my
11 reports. I will stop there but the team and I are obviously happy to do our best to
12 answer any questions you may have. Thank you.

13 **THE CHAIRMAN:** Thank you very much. I shall lead off with some questions and
14 then invite my colleagues to follow if they have any further questions. Let us
15 first, if we may, go to the pace of change. You draw in your report attention to
16 the clear and ambitious vision of the Council but of course you also say there are
17 serious concerns about how well it is performing. What are the main reasons for
18 your concerns?

19 **MS GARDNER:** I think they are threefold, Chair. The first is the problems which
20 are evidenced from a range of sources about problems in the main services the
21 Council is responsible for. We have had critical reports in relation to social
22 work, education and housing, and we understand that a forthcoming report by the
23 Social Work Inspection Agency is also likely to be critical of social work
24 services. That is clearly an important marker of problems, even though, as I have
25 said, there are other areas where services are performing well.

26 There also appears to be a particular challenge for the Council in getting staff
27 commitment to the change that it is seeking to achieve. That is evidenced by
28 information from the Council itself about staff morale and some of the problems
29 there but also from a range of information which suggests to us that people do not
30 understand well the operation of the neighbourhood based service delivery
31 arrangements and how that relates to the corporate centre of the Council.

32 The third area is obviously the financial position. Over the last two or three
33 years the position of the Council has worsened significantly and we are now in a
34 position where significant financial savings are needed in order to bring the
35 budget back into balance. Doing that while still achieving the improvements in
36 services that the Council recognises it wants to make will be a real challenge, we

1 believe.

2 THE CHAIRMAN: Thank you. You mentioned the financial position and you
3 mentioned that it is precarious. What are the main factors contributing to that
4 position?

5 MS GARDNER: I will ask Cathie Wyllie to answer that question on my behalf, if I
6 may. As the external auditor Cathie is very closely involved in the detail of the
7 financial position at the Council.

8 THE CHAIRMAN: Just before you do that, can I check that our stenographer is
9 picking up everything? Can I ask everyone to speak up just slightly? Thank you.

10 MS GARDNER: We will do our best, thank you, Chair.

11 MS WYLLIE; I think the main reason for the precarious
12 conclusion is that, as you can see for the last three years, including the year that has
13 just finished, there has been a budgeted expenditure that was in excess of the
14 income of the Council, but in addition to that there has also been overspending
15 against the budget so that in total over the last three years the amount that has
16 come from reserves to support the revenue spending has been almost £70 million.
17 Given that situation obviously there is a need for that to be brought back into
18 balance. That kind of spending cannot go on for ever because the reserves are
19 not there to allow that spending to continue.

20 THE CHAIRMAN: And the overspending against budget, is that something you
21 could comment on further?

22 MS WYLLIE: Yes. I think there have been a number of reasons for the
23 overspending and there have been some savings that have gone to help to
24 mitigate the overspending. The main reasons for overspending in the last two
25 years have been the compensatory payments for equal pay that were made in
26 2005/06 which totalled £17½ million, and in 2006/07 overspends against social
27 work services of £6½ million and waste disposal of just over £2 million, these are
28 the main overspends that have occurred.

29 THE CHAIRMAN: We will come back to these matters later in discussion with the
30 Council, but thank you for that. Still with the financial position, you draw
31 attention to the low level of reserves of the general fund. Do you think this is a
32 real problem?

33 MS WYLLIE: The difficulty with the low level of these funds is that there are then
34 no reserves to draw on when unexpected expenditure arises in the coming year.

35 THE CHAIRMAN: So that such a decline in reserves is quite a serious matter?

36 MS WYLLIE: Yes. I think if you look at the commitment that the Council has had

1 against the general reserve at the end of each year in the last two or three years
2 they have been around £10 million or more, so to have only a reserve of £2
3 million to £3 million at this stage means that there is not enough for the
4 commitments that are likely to be there at the end of the year.

5 THE CHAIRMAN: Thank you. Again we will again come back to that matter in
6 discussion with the Council. Regarding the delay in completing the audit report,
7 you touched on this in your opening statement. The period between starting the
8 audit and completing the report seems really quite long. Is that unusual?

9 MS GARDNER: Yes, this audit did take longer than certainly our plan for audits in
10 general and our practice in most audits to date. As I said, that was due to two
11 factors; firstly the elections in May here in Aberdeen and across Scotland but
12 also because of ill health in two key members of the audit team. With your
13 permission I will ask David Pia to talk a little more about the detail of that and
14 how we managed it.

15 MR PIA: As Caroline Gardner has said, the main reasons for the delay were the ill
16 health of two of the managers of the team, and when it became apparent in the
17 spring of last year that neither of them was going to be able to return to work in
18 fact we brought in a more senior person, Antony Clark, to lead the audit team.
19 We discussed the implications of all of this with the Council and we decided in
20 the autumn of last year to invite the Council to submit further evidence so as to
21 ensure that the audit report was up to date, and the Council did, as we said,
22 submit over 40 pieces of additional evidence. We have had many discussions
23 with the Council about the implications of the delay and we are confident that the
24 report is up to date and indeed the report refers to events, reports and so on dated
25 up until February of this year.

26 THE CHAIRMAN: Thank you. Let us then move on to another point you mentioned
27 in your introduction, which was the disposals of property. You issued that in
28 very short order after the best value report. Can you explain why you decided to
29 issue the report on property disposals at this particular time?

30 MS GARDNER: Yes. While the Best Value audit report was being finalised the
31 external auditors were looking at the process on our behalf and agreeing a report
32 with the Council which summarised the position that had been the case between
33 2001 and early 2006 and getting up to speed on what action the Council had
34 taken in response to that. I was obviously very conscious both on the one hand of
35 the importance of the issues but on the other of the need to make sure the audit
36 process did not prejudice any potential disciplinary or criminal proceedings that

1 might flow from that. So the decision I took when the Best Value audit report
2 was being finalised was simply to refer to the issue as one which gave rise to
3 concern and to take further advice on the best choice of timing for the audit report
4 on property disposals.

5 Having looked closely at the issues that were involved, the action taken by the
6 Council and the information we were able to gather about any follow-up to that
7 action in terms of either disciplinary or criminal proceedings, I decided that the
8 best course of action was to issue a public interest report which focused on the
9 general questions for the Council around the governance of the property disposals
10 and to make that available to the Commission in its consideration of the best
11 value audit report. It was not an easy decision but I hope it was the right one on
12 balance.

13 THE CHAIRMAN: Thank you. Ann, you have a question you want to put.

14 MS FAULDS: I would like to ask a question about the property report. In the
15 Council's written submission to the hearing they say that far more stringent
16 operational and quality assurance arrangements are now in place in relation to
17 their property disposals and acquisitions. When you invited the Council to
18 provide an update in preparing the Best Value report for reporting to the
19 Commission in March this year did you have any evidence from the Council
20 about these new arrangements on the property side?

21 MS GARDNER: Yes. At the same time that the Best Value report was being
22 finalised I had written to the Chief Executive, once I had received the external
23 auditors' report on property disposals, asking what action he had taken and
24 received a very full response at that stage of new procedures and systems that had
25 been put in place. What we have not been able to do so far is to go and look at
26 the operation of those changes to see how effective they are being in practice.
27 That is something that I expect will take place as part of this year's audit work.

28 THE CHAIRMAN: The discussion earlier about the financial circumstances referred
29 to single status or equity, equal pay, I think, and waste management. Have you
30 seen any plans or budgets since then that address these spending problems?

31 MS GARDNER: Again I will ask Cathie Wyllie to respond to that question.

32 MS WYLLIE: There are plans to address the cost of these and some of that is tied up
33 with the transformation programmes that the Council is currently undertaking.

34 THE CHAIRMAN: And do they address the issue? Do they contain the spending?

35 MS WYLLIE: I think if you look at the budgets that have been set for the next three
36 years they are quite tough budgets in terms of the cuts that are required in order

1 to balance the books again and these things are tied up with the balancing of the
2 overall position.

3 THE CHAIRMAN: Thank you. Let me then go back on something else. If you were
4 to read the Chief Executive's statement as part of the submission of evidence on
5 behalf of him and the Council there is reference to significant progress having
6 been made in the last 18 months. Could you comment on that?

7 MS GARDNER: I think there certainly is some evidence of progress being made.
8 For example, it appears that the Corporate Management Team is working well
9 together, flows of information are improving, and we have seen agreement of a
10 number of transformation strategies that start to get under the surface of changes
11 that are needed for services like social work. More specifically we have seen
12 some real improvements in things like the level of housing voids and the number
13 of delayed discharges in Aberdeen, so there are some indicators of real
14 improvement happening. But I think it is also fair to say we have seen some
15 evidence of slippage on the transformation strategies being put into practice.
16 There is still a question for us about staff ownership of the level of change that is
17 required and perhaps most importantly, and auditors always say this, in some
18 ways it is too early to see the evidence of those changes in terms of improved
19 services rather than commitments and aspirations for the future.

20 THE CHAIRMAN: Thank you. You mentioned some slippage. Can you be more
21 precise?

22 MS GARDNER: I think that is a question really best placed to the Council but within
23 the transformation strategies there are some commitments to action which appear
24 to be slipping behind target and, as Cathie Wyllie has said, we also have
25 questions about the precision with which the savings that the budget is predicated
26 on have been set in practice at this stage.

27 THE CHAIRMAN: Let me then turn to one or two remaining questions I have on
28 finance. Do you have a view about how realistic the budget for 2008/09 is?

29 MS GARDNER: Again I will ask Cathie Wyllie to answer that.

30 MS WYLLIE: I think, as I said, the savings that require to be made are quite
31 significant and there are a number of these that are dependent on the review of
32 services which have not yet finished or in some way may not yet have started. So
33 I think that there is quite a lot of work to do in order to actually achieve these
34 savings. Some work has already been done and there is some evidence of savings
35 beginning to come through, but there is still a lot to be done.

36 THE CHAIRMAN: Accountants are always very nervous of the future and talking

1 about the future and forecasting, but is there any feeling you have? Are you
2 sceptical about the achievement of these budgets, or is that an unfair question of
3 you?

4 MS WYLLIE: That might be an unfair question. I think there is a lot of work that
5 needs to be done to achieve these and past experience does not have a good track
6 record.

7 THE CHAIRMAN: All right. What happens if the budget for 2008/09 is not
8 achieved? We have a precarious position as described in your report; it becomes
9 I suppose even more precarious. When does "even more precarious" become
10 disaster?

11 MS WYLLIE: At the point when all of the reserves have been used up and the figure
12 goes into negative reserve.

13 THE CHAIRMAN: So if the budgets for 2008/09 are not achieved, if they are not
14 achieved by something like £2 million? What is the reserve position just now,
15 did you say?

16 MS WYLLIE: The projected reserve position at the end of March is just under £3
17 million in the general reserve. There is also I think - you can check this with the
18 Council - projected to be just over £4 million in the HRA account, and there is
19 also some money still in the capital fund but that can only be used for certain
20 types of expenditure.

21 THE CHAIRMAN: So it is certainly even more precarious if it is not achieved,
22 obviously?

23 MS WYLLIE: Yes.

24 THE CHAIRMAN: Thank you. Let me then turn finally to the housing revenue
25 account. Over the period of, say, 10 years to the current position we see there are
26 some ups and downs in the account. In the years 2002/03, 2003/04 and 2006/07
27 there are substantial overspends against budget. Is that correct?

28 MS WYLLIE: Can you give me a minute to double check?

29 THE CHAIRMAN: Yes, of course, take your time. It is important to get the
30 information accurate.

31 MS GARDNER: I am sorry for the delay. Cathie is just double-checking these
32 figures and will talk you through them.

33 MS WYLLIE: I think in these years there were budgeted over-spends but the actual
34 outturn was better than the budgeted position.

35 THE CHAIRMAN: Yes, quite significantly, and then again, I think the record is that
36 more recently we have gone into this overspend in 2006/07, where we have £3/4

1 million surplus budgeted and a £1.7 million deficit. Is that correct for 2006/07?
2 MS WYLLIE: No, I think the budget was a deficit and the actual is a positive.
3 THE CHAIRMAN: Fine, but it is still a bigger deficit; thank you. Let me just check
4 with my colleagues if they have any other questions.
5 MR SINCLAIR: Can I just ask one question, if I may. You mentioned the difficulty
6 in getting staff commitment to change, staff ownership of change, but of course
7 that is not unique to any one council, it is a challenge for all councils to become
8 more customer focused. What in your opinion are the reasons why it has been
9 more difficult or less successful in Aberdeen than any other council?
10 MS GARDNER: The reason why that question has got such prominence in my report
11 is because of the emphasis that was placed on it by the Council's leadership as
12 being a reason for the difficulties that they had faced in bringing about the
13 significant change in improvement that they were looking for. That was certainly
14 supported by evidence from staff surveys, for example, and from the contact with
15 staff that we had as part of the audit work. It is very difficult for us I think to
16 speculate about what the reasons for it might be but one theme that did come
17 through repeatedly in discussions with staff was their failure to understand the
18 way in which the neighbourhood based service delivery which is now in place in
19 the Council was connected to the strategic centre and the long term planning for
20 change that is going on. It seems that there is an important issue there which has
21 made the change more difficult in Aberdeen than we might have expected it to
22 be. The underlying reasons, though, I think are better explored with the Council.
23 THE CHAIRMAN: Are there any other questions? (Negative)
24 Is there anything that you would wish to add before we finish this particular session?
25 MS GARDNER: Thank you, Chairman. I hope the report speaks for itself and if you
26 have any questions about the finances with the last area of questions that we were
27 focusing on we would be happy to provide more information in consultation with
28 the Council to inform your consideration.
29 THE CHAIRMAN: Thank you very much. Could I now ask the Aberdeen City
30 Council witnesses to come forward and take a seat.
31 Lady and gentlemen, good morning and welcome to you. Thank you for
32 coming along to help us with our hearing, and also thank you for your written
33 submissions which we have read very carefully. I understand that you would
34 wish to make an opening statement.
35 MS DEAN: Yes, please, and thank you, Chairman, for the opportunity.
36

1
2 Opening statement by Councillor Katharine Dean,
3 Leader of the Council

4 MS DEAN: I am grateful for the opportunity really to update you, I think, on what
5 has happened since the audit visit which ended in January 2007, notwithstanding
6 the fact that additional evidence has been put in there; but if you do not mind, and
7 I appreciate that time is short, I would like to start a little earlier than that, going
8 back to the previous administration, 2003 to 2007.

9 I think the first thing that I need to say is that virtually everything that has
10 happened within this Council has been under the cloud or the shadow, however
11 you want to put it, of single status. This has been a very big issue for us, not just
12 because of the fact that we are trying to use this as a way of modernising terms
13 and conditions and modernising the way we deliver services but also because we
14 do this in the climate of being an area where there is a surfeit of employment.
15 We have basically a less than 1 per cent unemployment rate here; there is great
16 competition for staff which I know is not the same across the country, and while I
17 do not use that as an excuse I set it in the background.

18 I would ask you also to try to estimate the challenge that I took on in 2003,
19 firstly leading more than 50 per cent new members of Council and also leading a
20 new administration with a relatively small majority. On paper that majority was
21 three working together with the Conservative group; in reality we had one
22 member who began and ended the Council's session on long term sick, which
23 takes us down to two, and we did end with a resignation in the last six months of
24 the Council, giving us a working majority of one.

25 While there was a recognition of the need to change both the culture and the
26 ways of working within the Council, and I think significant progress has been
27 made on that, as has been mentioned by the Controller of Audit, obviously given
28 a very slim majority within the Council the taking of hard decisions was not
29 always easy. One in particular that I would refer to was a service which was
30 looked to be set up, and in fact it was the only vote that the administration lost in
31 full Council, it was a service which the Cyrenians, who you are hearing from
32 later, were setting up in Fonthill Terrace in Aberdeen, which was a tolerant wet
33 house to deal with people with significant alcohol problems. As I say, the only
34 vote that we lost within that administration was because two of our members
35 wished to support the setting up of this at a cost of approximately £½ million at a
36 time when we were dealing with significant overspends in the social work

1 budget. I say that just by way of background; life is never designed to be easy
2 but that is the way of the world.

3 Dealing with the four issues that are listed on the invitation to speak here,
4 starting with the pace of improvement, which I think we would all agree has been
5 slower than any of us would wish, and I would wish that for the sake of the staff,
6 not just for the sake of first term service delivery; while change is a constant,
7 they tell us now, I know that it is unsettling for staff members, particularly, as I
8 say, with the shadow of single status, I think the two things kind of work
9 together. The audit visit in the end of 2006/beginning of 2007 gives a snapshot
10 when our new Corporate Management Team were not long in place and our
11 heads of service had just been appointed. Since then I think we have seen
12 significant differences. Our transformation strategies have been formulated and
13 have started to roll out, and I think to me the important thing about that is that
14 change within the Council in terms of the transformation strategies is no longer
15 top-down but is in fact front line-back. We have long realised that the people
16 who best know how to deliver our services are those on the ground and delivering
17 them and I think it is important that we take their advice. To me the more
18 successful of the transformation strategies so far, particularly in terms of housing
19 repairs, has been because we listen to the people who actually do the repairs. I
20 would hope that is one of the things that is now beginning to change the way we
21 are looking at this.

22 But I would say that every change has involved a battle not only with the
23 opposition in the councillors but also in some cases with the trade unions who
24 seem to see no need for change but would rather that things remain as they are,
25 and this despite the blueprint structure being agreed upon, indeed agreed on an all
26 party basis in 2001. This was a group which worked hard and well together to
27 look at what was good and what was bad in the Council and to come up with our
28 ways forward.

29 I think the other thing that we have seen since the audit visit is a definite
30 improvement in the performance management information that we are receiving.
31 Even just looking at this year's budget, we had much more information. The
32 Citistat process , which we were asked to trial on behalf of the Scottish Executive
33 and we have continued to use very successfully, actually gives a degree of
34 scrutiny and challenge which has been of great assistance to us.

35 In terms of the capacity to secure change, it has been described as turning an
36 ocean liner and I do think that that is a fairly apt description. But as these

1 transformations roll out I think each one is providing an example to other
2 services of how our front line staff are being listened to, and I am sincerely
3 hopeful that that is actually beginning to permeate across the Council, that people
4 are now starting to see change as not something that is being done to them but it
5 is something that they should be involved in and that their ideas can actually
6 come through this.

7 Having said that, I think we are happy to accept any advice or help with regard
8 to this. We do not underestimate the challenge that is ahead of us. But I would
9 also say that the structure which has come in since the elections in 2007 where as
10 well as our committed conveners we have lead councillors for various strategic
11 parts of the work, these are people who are there to help to drive and to challenge
12 these agendas and to ensure that they are moving forward.

13 In terms of staff commitment to change I have talked already about the fact
14 that the trade unions in rightly standing up for their members and we have had
15 various disagreements, shall we say, over the way forward. One of the big ones
16 has been on market testing which I know is something that has been mentioned in
17 the audit report.

18 We have looked to try to market test and more is under way at the moment
19 because we know that that is the way to ensure that we are getting best value; but
20 understandably that is seen as a threat by the trade unions representing their
21 members. In many cases when we have tried to change things we have had
22 disputes lodged which have obviously held up the process; again, as mentioned
23 previously, a lack of support from the opposition; and I am sorry to go back to
24 the single status again but I think we do have to recall that while we are trying to
25 deal with single status and trying to ensure that we are in the best possible
26 negotiations with the trade unions over this, it does mean that we are almost
27 hampered in some other directions on that.

28 I would refer you to the unknowns of single status which I think in terms of
29 individual staff members has been quite a strain on them, and I would not
30 underestimate that, but I think we are at the stage where those unknowns are now
31 known and the system whereby we can preserve salaries for three years and
32 attempt to re-engineer the jobs is much better understood by individual members
33 of staff when they have seen their own circumstances down on paper.

34 While there will be appeals against that, I am convinced of that, I think it is
35 very much a better situation for us because people know where they are and
36 know what they are up against as opposed to being up against an unknown. I do

1 believe there are strategies in place to deal with the morale issues in the Council,
2 as has been mentioned in the Chief Executive's submission, and I think it is
3 important that we all work together to work through those.

4 In terms, briefly, of the financial position, I spoke about the difficulty of
5 making unpopular decisions with a small majority and I think that is why it has
6 become so much more obvious that some of those unpopular decisions which we
7 feel have to be made have been made since the new administration came into
8 power. I would say that in the early days of this Council when coalition
9 discussions were ongoing, finance formed a major part of that. There were
10 discussions between all the major groups in terms of trying to find partnerships
11 and, as I say, having spoken to the SNP group and looked at our manifestos and
12 seen what was in common and then seen the differences and spoken through that,
13 the next question was then what is not in the manifestos, and that was very
14 seriously taken right at the very beginning of that.

15 I think it is fair to say, and I will not speak for Councillor Stewart but certainly
16 on behalf of my own group one of the reasons that we are not in coalition with
17 the Labour group was that their manifesto commitments would have involved
18 probably an extra £10 million of expenditure in the last year in terms of things
19 which had previously been savings which they wanted to see undone. That was
20 not acceptable to my group and I will leave Councillor Stewart to speak about
21 that. But the hard decisions have been made in this year's budget. I think they
22 are inevitable because of the costs of the single status, equal pay and
23 modernisation, the rising costs of social work and children's services, which are
24 big issues for us.

25 You said in your introductory remarks about the school estates strategy, and
26 while I do not wish to go into detail on that on your instruction I think it is
27 important to realise that that is one of the decisions that we have had to make to
28 ensure that we are trying to direct our expenditure towards the education of
29 children rather than towards buildings, and I think that is an important part of it
30 there. We have a drive to bring home those who were educated outside the
31 authority, because again that is a major expenditure. The transformation strategy
32 in social work has been agreed along with changes to the eligibility criteria which
33 again have been very important to us because that is a big shift that we felt we
34 had to make, and that brings us much more in line with our comparator councils.

35 Also, regarding the Budget Monitoring Board I am interested to hear the
36 Controller of Audit say that this will be a challenging budget to achieve; I think

1 we are all aware of that. The Budget Monitoring Board will be looking not only
2 at this year's budget on a virtually monthly basis to try to ensure that all the
3 savings are on track but will also be planning towards next year's budget so that
4 we can ensure that our hopefully new found robust budgeting is able to continue
5 into the future.

6 In terms of the property transactions I will not say much on that because I
7 think others will be better placed to do that. I would be happy to answer
8 questions such as they are but I would say that in terms of transactions involving
9 NHS Grampian I had to declare an interest in that because I represent the Council
10 on the Board of NHS Grampian.

11 Beyond that, just in conclusion, again I would like to thank you for the opportunity
12 to say what has happened in the last 18 months here. I believe that we have come
13 a long way. I believe we have the plans in place to look to the future. The
14 changes that we introduced in 2005 came with a recommendation of review in
15 2008 and I would expect that to be undergone, probably started at the end of the
16 summer, which will then look at the entire structure, along with any
17 recommendations we have from yourselves. I hope you will agree that we have
18 certainly moved since the date of the actual audit but would assure you again that
19 we are happy to accept advice and any assistance that may be on offer.

20 THE CHAIRMAN: Thank you, Councillor Dean. Councillor Stewart, did you want
21 to say anything specifically? You were almost invited to do so by Councillor
22 Dean a moment ago.

23 MR STEWART: I was almost invited to do so but I have not prepared anything.
24 What I would add to what Councillor Dean has said, what I would say is that the
25 audit itself took place November 2006 to January 2007. I have to say that in
26 some regards there were few surprises in the audit. We recognised that there are
27 budgetary difficulties and that is why we have gone through the process that we
28 have in what has been a very difficult budget in some folks' eyes and also have
29 pressed ahead with the transformations that are required.

30 We have, as Councillor Dean has said, a duty to ensure best value for the
31 citizens of this city. I think we are moving forward. Regarding some comments
32 that were made previously in terms of this year's budget, the 2008/09 budget, we
33 realise that it is a very difficult budget to deliver but we have, as I say, moved on
34 with the transformation. Not only just that, we have moved on in terms of how
35 we deal with these matters with the Budget Monitoring Board.

36 We have already looked at options in case we do not deliver the savings that

1 we have in place, plan B, if you like, Chair, in terms of some of holding some of
2 the corporate investment fund which we have put in place for the transformation
3 and also looking at leaving some capital spend until the end of the financial year
4 to see how that is going. So that has been looked at. Also, as Councillor Dean
5 pointed out, that board is already looking at the pressures that there will be in the
6 2009/10 budget, so we are very aware of the difficulties that may arise and we are
7 planning to deal with that.

8 THE CHAIRMAN: Thank you very much. I believe the Chief Executive, Mr
9 Paterson, would like to make an opening statement.

10
11 Opening statement by Mr Douglas Paterson, Chief Executive
12

13 MR PATERSON: Thank you.

14 I will reflect on the key issues that the Commission has raised and that Audit
15 Scotland has raised in their report as briefly as I can without repeating things that
16 Councillors Dean and Stewart have raised. If I start with the rate of progress in
17 achieving the vision, the statement actually is the vision for the area and what we
18 have to be clear about is that there are actually two visions; there is a vision for
19 the area, the city and surrounding area, which is set out in the Community Plan,
20 and there is a vision for the Council, and clearly the vision for the Council
21 complements what we would seek to achieve with partners for the area.

22 The report itself indicates that in terms of the achievement of the vision for the
23 area we actually have been highly successful. We have clearly set out targets in
24 the Community Plan, we have been working with partners to deliver those. It
25 was an early Community Plan, done in 2000, and the bulk of those targets have
26 now been met. That goes from fairly basic things like the cleanliness of the city,
27 the refuse collection service which we worked on and improves quite radically in
28 conjunction with staff, through to big things like infrastructure and particularly
29 the provision of a bypass road for Aberdeen. So that area has been delivered to
30 the credit of councillors, Council staff and the staff of our partner organisations.

31 The area that has been slower and more frustrating is the delivery of the vision
32 for the Council and the time scales are quite important because the work on
33 delivery of significant improvement really only began in the 2000/2001 period,
34 so one has to be careful in quoting figures like, "We've been working on this for
35 more than a decade," and so on. The first changes came in 2001/2002 and that
36 had come from a fairly traditional structure which had been put in place when the

1 Council began in 1996, with a commitment from the then administration to
2 streamline service delivery, and the first steps in that really only came in once we
3 got through the process of the fairly significant changes of developments that
4 were made in terms of drawing together the old regional and district services
5 against a background of fairly tight budgets which all the authorities faced at the
6 time of reorganisation. So the first part of that change journey took place from
7 2001/02/03 through to 2004/05.

8 The change journey is also a single continuous journey in two phases. The
9 first one was that phase in was 2001/02 to 2004/05, the second one came from
10 2005/06 to the present time, but it is actually a consistent continuous journey and
11 all the documentation would support that, so there was no further radical change
12 to the direction of travel in 2005/06. What happened in 2005/06 was a
13 rationalisation of central services which had been set out as being stage 2 in the
14 papers in 2001/02 but, more importantly, what was done in 2005/06 was opening
15 up the first and second tier posts within the City Council, the directors and head
16 of services, through competition, which brought in a new management team
17 which was a combination of the people from the previous management structure
18 who were committed to the process and new people who were brought in to
19 augment the management team.

20 The period between 2002 and 2004 when we began to review things as we
21 intended to do was a difficult period and you may want to come back to that in
22 the questioning because therein lies a lot of the issues of staff morale, confusion
23 and so on, and there are a lot of explanations within there that you will want to
24 hear about, so if you want to come back to that with a question that would be
25 helpful.

26 Since 2005/06, and the new management team was in place in total in late
27 2006, there has been significant development within the Council and the
28 councillors has covered that, as has the submission which we made, and again
29 you may well want to go through that. There is tangible evidence of
30 improvement which is measurable in terms of the Audit Scotland reviews.

31 The other factor is that the vision to become a leading local authority in
32 Northern Europe, and again I can explain that if that is necessary, was set in 2006
33 so we have been working on that for a two year period, and we are beginning to
34 have measurable evidence that the best of our services actually are getting into
35 those realms. I mentioned briefly the difficulties that there were between 2002
36 and 2004 and I think therein lie a significant number of the answers to the issues

1 of staff confusion, staff morale and so on. We have mentioned the issue of equal
2 pay and modernisation.

3 I think we also have to accept that one of the other elements that staff have
4 found difficult and often quite challenging to deal with is a shift into what you
5 might call a performance managing regime where issues about regular tracking of
6 performance, clear planning and so on are actually new to them, they are new
7 processes. You may have people who have worked in local government for 20 or
8 30 years and for the first time they are getting this detailed management of their
9 team's performance and their individual performance, and that is one of the areas
10 we have been working with. It is one of the areas that I feel strongly that a lot of
11 the staff have found quite challenging.

12 We have also had problems in the city, as Councillor Dean alluded to, of
13 recruitment in a very tight labour market, and that has also led to issues of
14 workload for staff. If you move on to the capacity for change I think again we
15 need to go through that in detail, and I am assuming that will come out in the
16 questioning; I have got quite a lot of detail for that.

17 In relation to the budgets I will not add to what has been said now, I assume
18 that will be picked up in the questioning. The linkage I would want to make is
19 that the culture that existed in terms of performance and performance
20 management and the perception of the need for improvement was not one which
21 self generated proposals for improvement to service delivery, including
22 efficiencies, and one of the major changes that took place in 2005/06 and the
23 introduction of new managers to the Council was to specifically recruit people
24 who had a clear understanding of the need to drive up performance, the skills to
25 do it and the will to do it. Part of the problem up to the 2006/07 period was
26 actually getting the organisation to generate a sustained flow of proposals for
27 improving services.

28 If you backtrack through our best value reviews from that period quite a
29 number of them were successful but the majority of them basically came back
30 after a review and said either, "The service is fine," or, at worst, "We actually
31 need more resources". Therefore this issue of creating a culture of continuous
32 improvement lies at the heart of not only the performance side but the ability to
33 deliver the levels of budgetary efficiency that are necessary.

34 Briefly touching on service improvement, I think one has to be careful in
35 sweeping generalisations because what we are talking about are services which
36 are by no means failing and over which quite a lot of our clients, citizens or

1 customers are actually very happy, and I will talk through why I am saying that.
2 A related factor to that also that we need to be clear about is that presumably the
3 purpose of this hearing is to get at the problematic areas and one needs to be
4 careful with not generalising to the point where we sound like we are damning all
5 services and all staff and so on. The vast majority of our staff are committed and
6 are working very hard. What a lot are focusing on is the requirement to deliver
7 the commitment in ways that may be quite new to them relative to the way they
8 have operated for the whole of their previous working life. Therefore I would not
9 want to lose sight of that. What we are talking about is change, it is not
10 necessarily a lack of commitment to the Council or to the community or to their
11 profession.

12 In relation to education the bulk of our schools, the vast majority of them,
13 normally get very good reports from HMIE, so we are not talking about a failure
14 in our education service. The point that HMIE raise about school management
15 and Council management is what they call a lack of self awareness and that is this
16 issue about a real desire to drive performance higher, even if it is relatively good
17 at the moment. Therefore the focus there has been on raising the whole
18 aspiration of the nature of the service, but that is an area where we have actually
19 had a reaction over the last few weeks when we have been out talking to parent
20 groups about the need to raise performance within the education system.
21 Traditionally it has been one of the best funded education systems in Scotland in
22 terms of funding for people and so on, and yet the performance does not rise to
23 that level of aspiration or that level of resources, nor does it rise to the level that
24 we believe that AS is telling us we benchmarked it should.

25 Interestingly the reaction of parents has been really supportive of schools.
26 They are challenging us as to why we are challenging the schools to raise
27 performance. So there is a whole lot of complex issues going on and that is
28 probably the most classic one where HMIE are challenging the Council, and I
29 believe rightly, to get better performance from the schools but actually the parent
30 groups are very defensive of where the schools are and the current levels of
31 performance.

32 Social work is the area of excellence. It is also the area where staff are
33 working extremely hard in very challenging circumstances, not least related to
34 the fact that Aberdeen has a major substance misuse problem which generates a
35 lot of the work for our social work services. They have had difficulties in
36 recruitment. We need more resources in the front line in social work, and

1 especially in social work we need to implant the whole issues of more rigorous
2 performance management, record keeping, management performance
3 benchmarking and so on. Again it is a fairly heavily funded service. In spite of
4 the hard work that is going on, the structures and the culture are not such that the
5 staff are able to deliver, the quality of service that the resources should actually
6 deliver.

7 Housing is very, very mixed and I think the Audit Scotland people indicated
8 we have had some major improvements in housing. In terms of council housing
9 sales we were regularly in the worst three local authorities in Scotland in terms of
10 performance. During that 2003/04 period we turned that round and we are now
11 permanently in the top three councils. We have dealt with voids where we were
12 having a degree of difficulty in turning over houses and that led to huge losses in
13 rentals; we have turned that situation around. That is a classic example of the
14 involvement of front line staff in an improvement process.

15 The latest one we have been working on, and the bulk of the improvement is
16 now in place and is beginning to deliver, is in the delivery of council house
17 repairs and that was one of the major areas of interest to our tenants. However,
18 the allocation system needs to be improved; we need general customer care
19 improved. One of the big areas for us, especially with the demographic trends in
20 Aberdeen, is housing for varying needs, with a growing elderly, frail population,
21 and the provision of more affordable housing.

22 The property disposals issue we will go into in detail. The current focus really
23 is to looking at the future; new management team, new council administration. A
24 lot of difficult decisions and changes will soon be behind us, and I think we are
25 going through a particularly difficult period because of the budgetary decisions
26 that had to be made. You will be aware that I have indicated today the desire to
27 take early retirement. That will open up the way for a new Chief Executive to be
28 appointed. I would wish to work my notice period to get us through the fairly
29 difficult point the Council is at with the budget at the moment. That would leave
30 a new Chief Executive, a new management team and a relatively new
31 administration in place to take the Council forward and to build on the work that
32 has already been done.

33 THE CHAIRMAN: Thank you very much. We, as you would anticipate, have a
34 number of questions. Some of them have been anticipated in the opening
35 statements and that will save us some time. I have one or two questions of Mr
36 Paterson and then after that my colleagues will likewise follow me.

1 Let me start with a general question about the status of the Controller of
2 Audit's report in your mind. You say in your written submission that you
3 recognise much of the findings in the Controller of Audit's Best Value report
4 because it was originally in your self evaluation of your Best Value process. Can
5 I just confirm by way of a start, therefore, that you agree with the Controller of
6 Audit's report and her conclusions? Is that fair?

7 MR STEWART: Yes.

8 THE CHAIRMAN: You say again in your written submission, and we touched on
9 this with the Controller of Audit in discussing the new management team, that
10 you have "made significant progress in difficult circumstances over the 18 or so
11 months since then"; that is a quote from your submission. You say "significant
12 progress". How much progress has been made? You have touched on the
13 transformation strategies and the progress that has been made there. What has
14 not progressed, do you think, in the last 18 months?

15 MR PATERSON: Would you permit me to go further on what has progressed?

16 THE CHAIRMAN: Yes, that is perfectly fair, Mr Paterson, but could we include in
17 your answer the extent to which services or other issues like management have
18 not progressed.

19 MR PATERSON: If I try to work through the areas where progress has been made,
20 and that probably points us to the areas where progress requires to be made or
21 further progress requires to be made, to move from where we are now to a point
22 where you could say the bulk of the organisation is a continuously improving one
23 requires the further development of a number of processes and developments
24 which are currently in train.

25 In relation to the leadership of the Council we have a new first and second tier.
26 The third and fourth tier on the Council were not put through a recruitment
27 process but there was a process agreed with the staff and the trades unions where
28 a new "contract" related to performance and performance management was
29 formally adopted by each of the members of staff in the third tier and a number of
30 fourth tier staff members as well. I am attempting to respond to your point about
31 what is not done and what needs to be done.

32 What I am looking at is the permeation of that performance management in a
33 continuously improving culture through the whole of our leadership, from the top
34 level leadership right through to the front line supervisors, and the work that we
35 are doing on that. Therefore where we are at the moment would be, and I think
36 this has been acknowledged by all the external inspections that we have had, is a

1 senior leadership which is pretty tight, knows what it has got to do and is working
2 very hard to do it, but part of their challenge is permeation of that through the
3 organisation.

4 What that then leads me to is that a number of the basic building blocks in
5 terms of an efficiently run organisation, whether it is private sector or voluntary
6 sector or public sector, are also being put in place in a consistent manner,
7 whereas in the past it would have been patchy across the Council.

8 So in order for people to know exactly what they are supposed to be doing,
9 and this is the point of confusion in any system, whether it is our structure or any
10 other structure, people having absolute clarity on what is expected of them and
11 therefore being able to be helped to account and be supported in delivering that.

12 We have rolled out key planning across the Council for the first time because
13 that was patchy previously. Linked to that we have rolled out appraisal
14 consistently across the Council. All of this has been done over the last 12 to 18
15 months and it has required a huge effort by people. The next stage will be to
16 ensure that that becomes embedded as an annual cycle and more importantly in
17 the annual appraisal. We now have regular supervision happening so that staff
18 are getting feedback from their managers on a regular basis, and again the
19 question is about getting that rolled out starting from the top and working through
20 so that you have processes and you have also got key planning, you have an
21 agenda of what each key member of staff is required to deliver.

22 That is going to take some time to complete the complete roll-out. The
23 challenge then will be ensuring that it is embedded as part of the working
24 practice. Part of what we faced in the past where a lot of this was new was staff
25 not finding time to do it and therefore performance management became
26 something that you did if you had time; it was often seen as a diversion from
27 your real job, that your real job was your area of professional expertise.

28 THE CHAIRMAN: May I interrupt you for a second. You say that it will take some
29 time to roll out. How long?

30 MR PATERSON: The team planning, the first complete round is now in place. The
31 first complete round of appraisal was done in the last financial year, so those are
32 about getting this embedded and continued so they do not begin to lapse. The
33 supervisory side, I would need to check the time scale but we are well through
34 getting that down to the management hierarchy.

35 If I then reflect on those issues as being delivered in a top-down way, one of
36 the key things for us is to get greater engagement with front line staff in the

1 processes and in terms of the confusion that is alleged about roles and
2 responsibilities and linkages between the operational and the strategic. We have
3 a number of means of doing that, some of which are in place already, and we
4 intend to use the team planning process to engage front line staff now that we
5 have got the embryos of the team plans done, to debate with staff what those team
6 plans say, engage them in the further development and refining of the team plans,
7 and again the challenge then will be to see that those are sustained on an ongoing
8 basis.

9 Another key element in why staff I think justifiably have claimed that they did
10 not understand what was happening, and I think what they are saying is they do
11 not understand what their role is in what is happening, is that the team planning
12 process is partly intended to allow that contextualisation for teams of staff as to
13 what their role is in delivering the targets of the Council so that the high level
14 corporate targets that are in the Council's plans, the Community Plan and so on,
15 have been broken down to a level where the teams can say, "This is part of this
16 that I'm being charged to deliver," and you are getting that linkage from the front
17 line staff up and down to the high level corporate and regional priorities in the
18 community planning process.

19 We then also have a number of measures, including the things that have been
20 mentioned like Citistat processes, the development of transformation strategies
21 and so on, where every effort is being made to engage front line staff in these
22 processes at the earliest opportunity. That is a long way of saying here are the
23 things we are doing to try to cover greater staff engagement, therefore greater
24 staff security, and hopefully greater staff morale and confidence in what is
25 happening.

26 In terms of your question of what still needs to be done, that is a large part of
27 it. It is about getting that engagement of our front line staff in the earnest hope
28 that a lot of these unresolved questions are dealt with, they will have more
29 confidence and their morale will be higher.

30 THE CHAIRMAN: Thank you. Supposing you were to wave a wand and it is all
31 finished, done and dusted and it is now to your satisfaction, where are we in
32 terms of months and years? What do you envisage as the time scale to have these
33 practices and attitudes, if you like, all subscribing to the plan and the vision
34 which you have described there?

35 MR PATERSON: I think the experience of life, whether it is private life or working
36 life, would lead you to give a number of answers to your question. The targets to

1 which we are working are still around the 2010 period, so we are talking about
2 another 30 months in terms of moving things forward. You then would have to
3 say that there are for instance budgetary pressures which cannot be left for 30
4 months. If the transformation strategies are partly intended to bring expenditure
5 into line with GAE, and they are specifically intended to do that, to close either
6 overspending or inefficiency and bring high quality service delivery in a modern
7 fashion in line with budget, then they have got to be pushed through more
8 quickly, we are aware of that, and we are aware that there has been a compromise
9 to date where we will be challenged about it in terms of front line staff and about
10 pushing transformation strategies too quickly and not taking time enough to think
11 about the content or to consult people. So that is a shorter time scale in terms of
12 delivery of budget efficiencies through that method.

13 The other part of it in terms of the experience of the organisation and working
14 life and so on must lead you to believe that there will be elements of cultural
15 change where you cannot actually define how long it may take because of the
16 reality of organisational dynamics and individual human dynamics where you
17 cannot legislate for how long it may take people to get to that change of attitude,
18 you know, if your question is literally indicating how long will it be before all of
19 it is there.

20 THE CHAIRMAN: May I clarify? I guess I am asking in terms of cultural change,
21 where is the tipping point of critical mass so that then becomes in effect the
22 culture you are seeking?

23 MR PATERSON: My feeling, and this can only be an evaluated judgment, is that I
24 begin to feel that we are heading towards the tipping point now in terms of the
25 things that have been happening over the 18 months and the things I and my
26 colleagues would raise as the kind of the green shoots we are seeing of the kind
27 of things that we want to happen, the initiatives being taken by staff and so on,
28 instead of people having to be driven and encouraged in a top-down way.

29 THE CHAIRMAN: Thank you very much. I will now ask Ann Faulds to take up the
30 questioning.

31 MS FAULDS: Good morning, Mr Paterson. In your written submission you said that
32 to achieve the change that you wanted to pursue you had to overcome a variety of
33 intractable problems. Given that change and reorganisation has almost become
34 the norm over the past 20 years in local government why did you face intractable
35 problems? What was it about Aberdeen City Council that caused this problem?

36 MR PATERSON: I think we started from a point of a very traditional, traditionally

1 operating and traditionally thinking council, and I think there would be general
2 agreement with that perception. I think the balance against that was a scale of
3 change, and one is a direct consequence of the other, the scale of change that was
4 deemed to be necessary to get the kind of shift that we needed, and that the whole
5 thinking and being of the organisation needed to change. This thinking was
6 teased out over a period of time by a working group of staff and elected members
7 and it was quite explicit, the thinking at the time. Therefore the challenge was to
8 get very, very radical change because there was an explicit view that if we tried
9 to get change through an incremental process it just would not happen. That is
10 set out in the papers that were done as a result of the analysis that was done over
11 1999, 2000 and into 2001.

12 So therefore we had to go for radical change and another explicit part of the
13 thinking was that part of the conservatism of the organisation which had to be
14 overcome was absolutely entwined with the fact that we had a very traditional,
15 professionally defined structure of large numbers of departments. The
16 departments were defined professionally in terms of social work, housing,
17 education. You had power bases in those of directorates matched with
18 committees and convenerships which were defined in the same way and these did
19 not match the aspiration for joined up, high quality service delivery that were
20 beginning to emerge at that point in point in time. The Council was quite brave
21 in looking forward trying to anticipate where service delivery in the public sector
22 would go.

23 Therefore from the outset we were attempting major change in a very
24 traditional organisation. I think I have also reflected in the notes, and these are
25 broader reflections, they are not just my own reflections on the situation, if we
26 were guilty of anything it was that we did not anticipate the resilience of that
27 culture in terms of our attempts to change it.

28 MS FAULDS: I would just like to understand, you see. In 1996 it was a new
29 organisation, we had local government reorganisation and it was like a merging
30 of the regional council and the district council. Are you saying that this culture
31 was a legacy from the regional and district merging; is that what you are saying?

32 MR PATERSON: Yes.

33 MS FAULDS: Why is that different to any other merging of regional councils and
34 district councils throughout Scotland?

35 MR PATERSON: Can I add to that? For me, looking back, although I may not have
36 been that acutely aware of it at the time, there was an explicit decision made, and

1 I think it may have actually been a formal Council decision, that there would be
2 no attempt to change anything, in 1996. I think that decision was made at the
3 behest of the trades unions at that time on the basis of an argument that the
4 organisation and the staff within it were suffering a sufficient change just through
5 the merger of the two organisations that we should not start to go about changing
6 service deliveries. Therefore not only was that opportunity lost at the time but
7 there was a further entrenchment of, "And therefore we can continue in this way".

8 MS FAULDS: OK. Can I just ask one other question, then, Mr Paterson. You also
9 said in your written submission that weak leadership and the lack of effective line
10 management contributed to low staff morale. I am bound to put this question to
11 you, I think especially given your decision today to seek early retirement, if only
12 to give you a fair opportunity to respond to this question: is the office of the
13 Chief Executives part of the weak leadership?

14 MR PATERSON: These are questions that you ask yourself in terms of self
15 awareness and self analysis as you do your job, in terms of strength and
16 weaknesses of leadership, how you should go about it. I would actually find it
17 surprising if you were to find anybody or any significant number of people in the
18 Council or in significant parts of the city or the surrounding area who would put
19 myself as opposed to the office of the Chief Executive in the category of being a
20 weak leader, and I will talk you through that.

21 I would have thought it would be more likely that there would be allegations
22 about being too single minded, not deviating, driving too hard and so on, and
23 those were actually the allegations or assertions I thought I might have to answer
24 as the first line today.

25 In terms of strength of leadership, what are the aspects of that? You have got
26 a clear vision for the organisation whose future is entrusted to you. I think there
27 was clear evidence in ample measure, and I think people would agree with that if
28 it was put to them, that I have a clear vision for the city. I have worked with
29 colleagues in the other local authorities to develop vision for the region. I have
30 been a key player in that. Therefore if it is about having a clear vision for the
31 city, for the Council and for the area I think there is ample evidence of it.

32 The next line about leadership would be, "Well, OK, you have got a vision but
33 do you actually have the leadership skills to be able to deliver it?" because the
34 envisioning can be the nice bit of the job, the delivery is the harder bit. Whilst I
35 cannot go into individual cases of where I have intervened to deal with poor
36 performance in terms of the delivery of that vision, certainly not in an open forum

1 like this, I think there is ample record of the fact that I have dealt with poor
2 performance in terms of senior managers or sections of the Council in terms of
3 driving forward. So if the will to deliver the vision is the second part of strong
4 leadership I think there is ample evidence that I have done that as well.

5 In terms of leadership by example I have never been frightened to roll up my
6 sleeves and get stuck in with staff at any level in any of these improvement
7 processes, again there would be evidence of that, and again you would probably
8 get negative reactions to that in terms of micro-management and interference and,
9 "He doesn't trust us," and so on.

10 In terms of being supportive, where I am challenging people, and that
11 normally would be senior managers who I am working alongside, my starting
12 point if people are facing difficulties in delivering is always to say, "Is there
13 something I can do to help you here? Have you got a problem?"

14 And I think the final part in terms of strong leadership has been my
15 determination right through, and herein for me lie a lot of the issues that have
16 become known as non-compliance and so on, about firstly the systems that we
17 have and the need for really powerful, robust business systems in the
18 organisation, and I have taken a leading role in that as well. It was interesting
19 when the report about the property sales hit the media, I got an email from a
20 relatively junior member of staff who was not involved in that side of the
21 business saying, "This is really unfair, Mr Paterson. If anybody in this
22 organisation has tried to drive proper business processes and has got personally
23 involved in driving them, it's you". So there is that side.

24 Then I think the final side in terms of communication and being a visible
25 leader, I must do as much as any other Chief Executive in any public sector
26 organisation in Scotland in terms of getting out of the office and making myself
27 available to staff both in formal and informal ways. So I think what I am saying
28 is are there any other aspects of strong leadership that you would be looking for
29 that I have not reflected?

30 MS FAULDS: No, that is very helpful, thank you, Mr Paterson.

31 THE CHAIRMAN: Keith.

32 MR GEDDES: No questions.

33 THE CHAIRMAN: Iain.

34 MR ROBERTSON: You mentioned, Mr Paterson, in your submission that the City
35 Chamberlain is preparing a medium term financial strategy to restore reserves in
36 the general fund. Can you share what that medium term financial strategy is with

1 us?

2 MR PATERSON: Do you mind if I refer that question to the Resources Director?

3 MR ROBERTSON: No.

4 MR EDWARDS: Thank you, and good morning. The medium term financial
5 strategy is around the basis of restoring the balances on the general fund but tied
6 in with that there are a number of issues also. It is looking at future capital spend
7 which has impact on capital financing charges also, which then impacts on the
8 revenue budget. It is looking at Treasury management strategies also which
9 impacts into some revenue balances, capital financing charges etc. It is looking
10 at the timing of spend coming through both revenue and capital budgets. So it is
11 a pulling together of a number of elements there to go into one financial strategy.
12 Basically that financial strategy will be driven by the final audited outturn results
13 for 2007/08 and we see what the uncommitted balances actually are at that point
14 in time, what our preferred recommended level of balance is over the next two or
15 three years, and that financial strategy taking account of all the various strands I
16 have mentioned making recommendations to the Council for restoring from the
17 general fund budget over the next two or three years transfers from that budget
18 specifically into the general fund reserve. So it is a pulling together of various
19 strands where all the strands are in place, then making recommendations to get
20 that general fund balance back up over the next two or three years. That is all
21 tied in with the far wider budget strategy which I could go into just now or
22 perhaps answer later, but very briefly that wider budget strategy is moving
23 towards sustainable base budgets and getting budgets more closely aligned to the
24 grant aided expenditures assessment that are the Scottish Government
25 assumptions of where we should be spending money over a two to three year
26 period as well, so it is all tied in as part of that wider strategy.

27 MR ROBERTSON: That is a very informed accounting type answer but for the man
28 in the street he wants to know where the actual money is going to come from.
29 Can you give us it in a slightly more practical way?

30 MR EDWARDS: It is difficult for me to say exactly where the money is going to
31 come from because that depends what decisions you take to spend on various
32 services, what decisions you take to generate income from various sources, and
33 all that is taken as part of a Council budget meeting. So I could not say
34 specifically we are going to get funding from this source or that source; that is all
35 taken as part of the general decisions within the Council at budget time.

36 What the Council has made a commitment to do is move over a period of time

1 to a line budget more closely to grant aided expenditure assessments. In some
2 areas that will mean reducing some budgeted spend and that reduction in spend is
3 coming through the transformation strategies which we are driving to improve
4 service delivery. We recognise we cannot go on just simply cutting services at
5 the margin, there has got to be a far more fundamental review of service delivery
6 and that is what the transformation strategies are driving towards, a far more
7 fundamental review of the way services are delivered, the way budgets are
8 constructed, so it is all tied in with that aspect.

9 MR ROBERTSON: OK, thank you for that. Let me move on, Mr Paterson, to
10 another aspect of your report. You used what struck me as the very unusual
11 phrase in your submissions, you said education was generally OK. I am sorry,
12 but the way I read the report from the Controller of Audit it did not say education
13 was generally OK, it said it was, if anything, poor in many areas and patchy.
14 Would you like to comment?

15 MR PATERSON: I did attempt to cover that in the opening comments that I made.
16 The reality is, and it is my understanding that it is the HMIe's assessment as well,
17 is the one I tried to explain, that generally the performance in schools, it would
18 cover the normal distribution from very good to excellent down to poor, but our
19 schools are doing reasonably well. The issue that we are being challenged on and
20 which we would agree on is this issue about they could be doing better or much
21 better, but our school system and our schools are in no way failing or poor or in
22 difficulty. It is more about lifting from what I tried to describe as generally OK,
23 people are happy, parents are generally happy, and I gave the indication, I was at
24 a parents meeting a couple of weeks ago about the budget and budget cuts and the
25 parents were quite angry about any suggestion that the school service ought to be
26 doing better. I am just trying to temper what the actual situation in the city is as
27 regards the school system.

28 In terms of the assessments the individual schools get from HMIe they are not
29 generally bad. It is this issue about the ability to actually do better, given the
30 nature of the pupils within the schools, their latent ability, and the resourcing
31 levels that we have traditionally had in the city.

32 MR ROBERTSON: Can I just ask, as an addition to what Ann said, you talked about
33 strong leadership; there are people who would say that tunnel vision is a
34 weakness and that strength in that regard would be a disadvantage.

35 MR PATERSON: I think I tried to reflect, that is a reality of life and I tried to reflect
36 that in terms of the other aspects of strong leadership, that what one person sees

1 as strong leadership somebody else can see as a potential weakness. The tunnel
2 vision one I did not raise but that clearly is a potential perception. I think the
3 reality is that if you go back to the period I was reflecting on in the opening
4 presentation, the 2002 to 2004 period, I think part of the problem then was that
5 rather than having tunnel vision on the basis of risk management arguments about
6 the risks to social work and the risks in education if we went too quickly to a
7 disaggregated structure, in hindsight it might be argued that we listened too much
8 to those arguments in terms of the negative consequences those caused in terms
9 of confusion for staff.

10 I think had we moved more quickly to disaggregate those services fully and
11 more importantly to get them fully embedded within the new three management
12 areas in the city a lot of the confusion that has been around, and I am accepting
13 that it is genuine, certainly over that period of time, would have been avoided.
14 But we got strong representations in relation to high risk areas in relation to
15 social work and quality assurance issues in relation to education that we should
16 hang on to what actually was an amalgam of the traditional departmental
17 structure, supposed to be a phased process but actually it almost became
18 embedded, and that caused a confusion.

19 So that deals partly with the confusion issue but I am also responding to your
20 point about the allegation that strong leadership can also be seen as tunnel vision.

21 I think there are major areas like that and that would be a significant one where I
22 and we in the management team actually listen to staff, we listen to professional
23 pleadings, but again in terms of perception my view or my understanding would
24 be that that would be the perception among staff, that the Council and ultimately
25 myself have driven this and have not taken account of their worries, their pleas,
26 and so on, and the reality is actually quite different.

27 THE CHAIRMAN: Keith, do you have a question?

28 MR GEDDES: Yes. I just wanted to separate out leadership in schools compared to
29 leadership of the education service itself. If you look at paragraph 170 on page
30 50 and exhibit 22 on the following page, page 51, you will see that Aberdeen in
31 terms of the leadership and quality of the education service itself did not achieve
32 anything in the excellent category or the very good category, four or five in good,
33 four in adequate and one in weak, and the weak one was the most important one
34 because the weak one was leadership and direction.

35 I can broaden this out as well because I think it is a political question, too.
36 Clearly education accounts for 28 per cent of your budget, it is regarded by most

1 people as the most important service that local government delivers; what
2 instructions, Councillor Dean, when you saw that report did you give to the Chief
3 Executive to take steps to improve the leadership of the education service? Do
4 you think it might be better to have specifically identified the Director of
5 Education with sole responsibility for education service?

6 MS DEAN: I think in terms of the instructions that were given there was a degree of
7 continuation on the path that we were actually going down at the time. I believe
8 that there is a leadership capacity there within our education service which albeit
9 needs some work, and again at the time of the HMIe inspection, which was at the
10 same time as the audit of Best Value, again the people who were fulfilling those
11 roles were relatively new to those roles and thus needed some time to actually
12 make their mark within there. I believe again that is one of the things that has
13 improved within that time.

14 In terms of having a specific Director of Education, it would go against
15 everything that this Council has been attempting to do in terms of joining up
16 children's services in the way that we are joining up adult services and various
17 other parts across there. In the interim structure which Mr Paterson spoke about
18 we did have a Director of Learning and Leisure. There were differing opinions
19 on that but I felt and I think many of my colleagues would feel that while
20 learning and leisure had traditionally in previous structures been put together it
21 was much more important to get all our services to children together rather than
22 lumping schools with playing fields and art galleries and sports and the kind of
23 things that had gone on previously. So to me it is much more important that the
24 leadership comes across the field of children's services rather than just in the
25 education sphere.

26 MR GEDDES: We could obviously argue the point about integration in specific
27 services and specifically identify posts for quite a while, but do you think that
28 because of the level at which the most senior person in education is appointed he
29 or she does not carry sufficient weight in relation to the importance of education
30 and is just seen as another service?

31 MS DEAN: No, I think when you consider that the person with ultimate
32 responsibility for policy and strategy in education is the Director for Strategic
33 Leadership with head of service below that, then I do not see that as an issue at
34 all.

35 THE CHAIRMAN: Thank you. Douglas.

36 MR SINCLAIR: I have a couple of questions for the Leader.

1 In your opening remarks you outlined a number of areas which suggested that perhaps
2 those were some of the difficulties the Council faced. Let me just run through
3 those. You mentioned the challenge of single status, but you would accept that is
4 a challenge that all councils face and there is nothing unique to Aberdeen in
5 meeting the challenge of single status.

6 Secondly, you mentioned the fact that in 2003 50 per cent of the Council were
7 new members and you had a small majority but again that is not unique, other
8 councils have coped with that challenge.

9 Thirdly, you mentioned trade union resistance, and again I think if you look
10 across the piece that is not unusual, that is the role of trade unions, to represent
11 their members' interests and resistance to change is often how that change is
12 handled.

13 Then you mentioned the budgetary difficulties, and there are two points on
14 that. That is not new, that has been building up over a number of years.
15 Secondly, I am sure you would accept that grant distribution ultimately is a zero
16 sum game; if somebody wins, somebody loses, and the challenge for all councils
17 is to manage within their budgets.

18 So I would be interested to know, having listened to what I have just said,
19 what do you think has been the totally different thing about Aberdeen that has
20 made the agenda of improvement harder for you than any other council?

21 MS DEAN: I think of the opening remarks that I made the
22 one which you have not taken forward is the fact of the labour market here. In many
23 places it is an extremely desirable thing to work for the Council and here ---

24 MR SINCLAIR: Just to interrupt, presumably Aberdeenshire can make the same
25 point as well, or Edinburgh, and they have managed to run their councils
26 apparently more effectively than Aberdeen.

27 MS DEAN: Right, OK. I will certainly take that on board.

28 It would be a matter for conjecture and I am sure that when your auditors
29 come to consider those other councils they will consider them in the same light.
30 But I think we have had a combination of issues here and the points that Mr
31 Paterson raised about the very traditional structure which was deliberately
32 accepted in 1996 when the two councils joined, I think also there are a number of
33 issues in there. I think the fact that there was a change of administration in 2003
34 and with that a change of ambition, shall we say, not a change of vision but a
35 different way to try to achieve the vision for the city, has meant that we have
36 been trying to tackle things in a more compact space.

1 While, as I said, the working group which produced the blueprint for all this
2 met from 2001 onwards, it kind of got to the stage that the plan was there and not
3 much was actually progressing towards it. So I think we have tried to push it, it
4 is starting to push the boulder up the hill, and the first parts about actually getting
5 that boulder moving are always going to be the most difficult part to my mind.

6 MR SINCLAIR: The point that Keith Geddes and Iain Robertson have touched on,
7 this issue of the tension between professional leadership and customer based
8 arrangements which indeed was explicitly recognised in the Council paper in
9 2005, but the Council of which you were the Leader took the view that it was not
10 appropriate to deal with those tensions by replicating posts and structures which
11 would make it difficult to develop a joined up approach, and as I understand it the
12 most senior officers for education and social work are third tier within the
13 strategic leadership directorate you have referred to.

14 Let me just touch on social work because in your submission to the
15 Commission you I think very properly said the forthcoming SWIA report was
16 likely to be highly critical and that overall you were not delivering improved
17 customer outcomes for your users. We have seen the draft scoring points, and I
18 appreciate the report has still to be formally signed off, and of the 10 areas for
19 evaluation five were described as weak, three were described as adequate and two
20 as unsatisfactory.

21 Interestingly, one of the two that were unsatisfactory, and the same thing with
22 education, is that issue of leadership and direction, and I just wonder with
23 hindsight whether you would agree that insufficient recognition was given to the
24 status of the two largest services both in terms of the overall structure of the
25 Council and the importance of professional leadership. I understand the point
26 about there being the down side of professional leadership, but there is also
27 strength to professional leadership as well and one is left with the potential
28 conclusion that perhaps the change that you brought about and the creation of
29 multidisciplinary teams negated the value of professionalism.

30 I would be interested in your reflection in hindsight, given that you have had
31 two major reports saying the same thing of weak direction and weak leadership.
32 Does that not give you pause for thought?

33 MS DEAN: It would certainly give me pause for thought, and I think that is why
34 when we introduced the structure in 2005 we did put in a fairly swift review. It
35 was argued at the time that perhaps that review period was too early to let
36 everything bed in. We will need to look carefully at these reports. I am certainly

1 not dismissing them. My understanding, though, however is that it can be seen
2 that these are reports which are done by professionals in these particular
3 organisations who particularly highly value the kind of structures that you are
4 talking about. As I say, I am not trying to say that they are favouring traditional
5 structures over less traditional structures. I think I would require to see the
6 SWIA report before we come to any decision but I do expect that to be part of the
7 review that will be undertaken later this year.

8 THE CHAIRMAN: Thank you very much. Keith. Before you go on, Keith, I should
9 explain that having covered the generalities of opening statements and so on and
10 so forth we are now into looking at the Controller of Audit's report in terms of the
11 headings that her report covers. So that is us past the preliminaries; there is quite
12 a long way to go.

13 MR GEDDES: I will leave aside the issue of single status or majorities in the culture
14 of change which, as Douglas said, is something that all councils throughout
15 Scotland have got to deal with, and I will leave aside your excursions into Donald
16 Rumsfeld territory about knowns/unknowns; it is beyond me so I will skip over
17 that. What I would like to try to explore is the nature of the relationship between
18 the political leadership and the professional staff. What formal arrangements are
19 in place for discussions between senior elected members and the Chief Executive
20 and his colleagues? Do you have formal meetings and are they minuted?

21 MS DEAN: We have formal meetings once a week as the leaders of the
22 administrations which are basically the main conveners, bringing in whatever
23 lead councillors are appropriate to the events that are going on, along with the
24 Corporate Management Team. I would say they are noted rather than minuted
25 and mostly just with action points that need to go further, but those meetings
26 happen weekly.

27 MR GEDDES: So you are able to follow up on action points that are agreed at the
28 meetings?

29 MS DEAN: Yes.

30 MR GEDDES: In terms of the issue of political scrutiny, at page 28 there is quite a
31 series, and this is a question I will put to other party leaders as well.

32 Paragraph 84: "Members are keen to challenge service performance," but,
33 "Members who responded to [the Audit Scotland] survey indicated that they
34 needed better information to explain [or examine] underperformance."

35 Paragraph 85: "The level and quality of information provided to members
36 varied across services."

1 Paragraph 86: "There is a lack of detailed option appraisal within Best Value
2 reviews and some reports have significant gaps in information."

3 Then paragraph 86 also refers to the property disposals report where there are
4 examples of misleading information being presented by Council officers to
5 elected members.

6 Obviously if you are going to run a true democracy it is important for
7 politicians to have information in front of them that is accurate and not
8 misleading. What steps have you and your colleagues taken to change this
9 apparent culture whereby members are kept in the dark about important issues?

10 MS DEAN: I think the change in the structure has gone some way towards that. I
11 think I am more confident now, or I did not realise I should not have been
12 confident previously, I have to admit, until the issues came forward, but I am
13 certainly more confident now on the procedures which are in place to ensure that
14 matters such as these property disposals could not recur, and in particular the use
15 of external consultants in terms of valuation is in my understanding one of the
16 bigger changes that have come in there.

17 To a degree we will always be dependent on our officers because councillors
18 can not be professionals in every single part of the wide range of things in which
19 we have to work. I think a lot of that will just come down to the sheer ability to
20 scrutinise what is going on. I think in terms of the performance management and
21 the parts you have raised there, there have been significant changes in the kind of
22 information that we are getting and I think in the way that we are dealing with
23 that, and that has probably been a training issue as much as anything else for
24 councillors.

25 MR PATERSON: Do you want to add anything?

26 MR STEWART: I will easily pick up on that; thank you.

27 I have always been keen to scrutinise everything that comes before me and the
28 more information the better as far as I am concerned. I have to say in terms of
29 the new set-up in terms of area committees we can scrutinise to a much greater
30 degree, boring right down to individual school level, which I think is very
31 important for elected members. I think in terms of the Continuous Improvement
32 Committee we have seen a change from the previous standards in Scrutiny
33 Committee, which I was also on, which gives members again the opportunity to
34 bore down much further than probably ever before.

35 As I say, I always think that the more information I get the better. I think you
36 have got to temper that as well, though, in what is actually given out to members.

1 If we take the property side, which I think you are probably driving at, I have to
2 say that I took severe umbrage at what went on there because basically members,
3 all members were lied to, and I am not using the word "misled" or anything like
4 that, we were lied to on a number of issues. As far as I am concerned that is not
5 good enough.

6 MR GEDDES: I do not want to get into the detail of the property transactions
7 because my colleague on my left has got a series of questions which are far too
8 complicated for me to understand, but as a simple former politician, when I was
9 looking to leave a legacy in terms of new schools or improved roads or better
10 social work facilities I was always crawling over the senior officials to say, "How
11 much did we get for that property? What are you doing to maximise capital
12 receipts?: Are there proper strategies in place to ensure that we do boost our
13 capital receipts?"

14 What really struck me about the property report was, it took a member of the
15 public or business person to raise the issue and there appears to be a failure right
16 across the political groups in the Council to ask obvious questions about high
17 profile property sales and just check out whether or not the maximum was
18 achieved for them. Why did it take four years for this to come to light?

19 MR STEWART: Can I answer that? I think it would be unfair to say that members
20 did not ask questions. I quite clearly remember at a full Council meeting, and I
21 have actually talked to the external auditor about this previously, the former
22 Conservative councillor, Jack Dempsey, who now sadly is deceased, asking
23 numerous questions about Carden House at a meeting. Unfortunately in my
24 opinion he did not get the answers that he should have got from the officer who
25 was answering those questions.

26 MS DEAN: I think if I can just add something on there, what we are looking at here,
27 and I am not trying to belittle the issue at all, what we are looking at here is the
28 table in the report which looks at proceeds received against maximum potential
29 value. Maximum potential value is one thing and I would not dispute the figures
30 that go along with that, but what I think that does not take into consideration is
31 the use that some of these properties were to be put to.

32 At Carden House, as I say, I was not involved in the decision because of my
33 interest as a member of the Board of NHS Grampian; similarly the site at
34 Earnsheugh Road, because firstly it is a health centre, secondly it is in my own
35 ward and something that was very close to my heart and I did not feel I could be
36 objective on it; but Carden House was sold, on my understanding, with a clause

1 in the deeds that it would be used as a medical centre. That presumably gives it a
2 different value from if it had been on the open market and available to be flats or
3 offices or whatever.

4 Powis Terrace again similarly is a medical centre and I would not be aware
5 what the chances in planning terms would be of actually getting a housing
6 development on there but I would have thought, given its location, it would have
7 been quite slim. So while I do not wish to undermine that at all, and I would
8 agree certainly with Councillor Stewart that there were times when it appears that
9 members did not get the information that they required, I think it is fair to say that
10 certainly there was challenge and the example he cites about Councillor Dempsey
11 is a fair one, and I know that Councillor Fletcher, who was Councillor Stewart's
12 predecessor as Resources Management Convener, questioned very, very closely
13 on some occasions, and obviously what we are looking at here are half a dozen of
14 I think 26 property transactions that were looked at.

15 MR GEDDES: Can I say, only seven out of the 26 property were carried out
16 correctly, I think the report says. I do not want to get into the detail because
17 others will ask that question later on, but effectively what you were saying was
18 there was intermittent concern expressed about property sales that was not
19 followed through in a strategic manner?

20 MS DEAN: It is difficult for me to answer but I think there were questions asked just
21 in the kind of things that you have said yourself: "Are we getting the best return
22 on this? Is this the best return for the Council?" If those questions were
23 answered then we would as elected members, or certainly with my limited
24 expertise I would have no reason to question the answers, if I am not confusing
25 you again. I am sorry.

26 MR GEDDES: OK. Let us go back to scrutiny because we will get too far into
27 property and that comes later on. Just going to paragraph 42, which is on page
28 16, the admirable principle of strengthening democratic accountability, in the
29 survey that was done by Audit Scotland: "Seventeen of the council's 43 elected
30 members ... responded to [the] survey. While 40 per cent of these felt that the
31 neighbourhood delivery arrangements were an effective way to deliver services,
32 47 per cent were unclear about how and who to contact within the three areas.
33 Staff interviewed during the audit echoed these concerns." It goes back to my
34 earlier question about scrutiny, holding people to account; it is difficult to do that
35 if you do not know who to talk to.

36 MS DEAN: I think first of all we have to remember that the heads of service were

1 fairly newly into post at that time, that that was a time of major change and the
2 heads of service had been appointed over the back end of 2006, just coming up to
3 the time the survey was done. Let us also put into proportion that 47 per cent of
4 the 40 per cent is eight people, eight people out of 43 who were unsure who to
5 contact, which would assume then that the rest of them either knew who to
6 contact of the ones that answered or the ones that chose not to answer must have
7 been relatively satisfied with the process.

8 MR GEDDES: Eight out of 17, not eight out of 43, but we cannot assume that the 26
9 others who did not answer shared the view that everything was satisfactory. It is
10 an unknown, is it not?

11 MS DEAN: Maybe you cannot assume but I think in most cases where consultation
12 occurs you kind of assume that the people who have an axe to grind will be the
13 ones that will respond. That is certainly what we have found as a council.

14 MR STEWART: A key change since the time of the Best Value audit, and we have
15 got to remember it is November 2006/ January 2007, is the fact that the area
16 committees are now in place. The opportunity for members to scrutinise the staff
17 is much greater now and they have the opportunity on a six weekly basis to put
18 folk under the spotlight, if you like, and scrutinise. They also know these people.
19 Things have changed since the time of the audit report in that regard.

20 MR GEDDES: Thank you very much. I have a couple more before we move on.
21 Paragraph 87, page 28, again on scrutiny. Paragraph 87 effectively says: "There
22 is also some evidence of officers not being held to account effectively," and it is
23 claimed that: "There was no evidence of effective challenge of the projected
24 overspend of £4 million in health and social care for 2006/07 ..." When the
25 leadership was told of that projected overspend what did you ask the senior
26 officers to do to ensure the overspend was curtailed as far as possible and how
27 did you monitor the steps that were put in place to stop that over-expenditure
28 getting worse?

29 MS DEAN: Our Community Services Committee at the time, certainly this was
30 reported there and action plans were brought back to that committee. I was not a
31 member of that committee so I was not actually involved in the detail of that but
32 from a resources management point of view as well I think certainly actions were
33 required of senior officers. I think in my mind we have to look at two things in
34 terms of an increasing demand, in year as well as year on year, for social work
35 services which is never going to be easy to manage. So while I am not excusing
36 this by any manner of means I can understand where it is coming from and for

1 that reason it is extremely difficult in a short space of time to try to turn that. I do
2 not know, it is possibly unfair to ask Councillor Stewart to comment since he was
3 a member of the opposition at the time but he certainly would have been a
4 member of the committee that first scrutinised this and looked at the action plans.

5 MR STEWART: I have to say that the action plans were looked at and further reports
6 were supposed to come back to committee; in some cases they did and in others
7 they did not. I think Mr Edwards has done a lot of work in that regard and I do
8 not know if he wants to add more on that. Certainly the committee had an
9 overview but did not take a firm decision at that time and call for further reports
10 on various savings that it may have been possible to meet.

11 MR EDWARDS: Can I just add to the comments that Councillor Stewart has made.
12 In terms of what we are talking about here, going back to 2006, there were action
13 plans taken back to the Community Services Committee, and tracking that back
14 some of the budget actions were implemented. What you were dealing with at
15 that time also, though, was the rising needs led demand for services as well
16 because some of the savings were coming through but the demand was increasing
17 as well for sometimes very expensive care packages. So the view was taken that
18 a firmer fundamental approach had to be taken. Two things were established: a
19 commissioning board which looked at projected trends for needs led care coming
20 through, and also what is called the Citistat process which I think is referred to in
21 the submission, which again is getting into the detail of how spend and how case
22 management is carried out. That further scrutiny was put in place to better
23 understand why the pressures were there on social work in particular.

24 THE CHAIRMAN: Is that another way of saying that effectively you revised the
25 budget midstream because of these pressures?

26 MR EDWARDS: That always is the case, that you look throughout the financial year
27 and if it is clear that budget savings are not going to be achieved for some reason
28 then we report back, when I say "we", the City Chamberlain will report back
29 timeously to elected members to advise our projected overspends and the
30 committee would then take a decision perhaps to come forward with revised
31 action plans. That always is the case in terms of budgets being regularly
32 reviewed.

33 THE CHAIRMAN: Yes, but my query was that if you did presumably somebody had
34 identified the source for the additional budget?

35 MR EDWARDS: Identifying the source would be perhaps identifying other sources
36 of savings within the existing budget.

1 THE CHAIRMAN: All right. Thank you.

2 MR GEDDES: Just on that, John, exhibit 19 on page 48: 2002, 2006, 2007 SPIs. Is
3 the problem not the fact that of the 19 areas where there was unreliable data 12
4 were in adult social work and four were in education and children's services; is
5 the problem not that if you do not know what you are doing it is very difficult to
6 know where to curtail expenditure or adjust policy?

7 MS DEAN: I am not sure enough about the matters which would be the subject of
8 unreliable data to be able to comment on that. I do not know if anybody else can.

9 MR PATERSON: I am wondering if Martin can help us on that one.

10 MR MURCHIE: Good morning, Chairman; Martin Murchie, Head
11 of Performance Management and Quality Assurance.

12 The issue of the 19 unreliable SPIs in 2006/07 is of course a matter of extreme
13 concern and you are right to highlight that. The 19 that you have referred to, 12
14 being in adult and four being in children, are primarily made up of one issue.
15 There are eight elements of the adult SPIs which relate to respite services, four of
16 the children's relates to respite services, so in effect 12 out of that 19 is entirely
17 about respite. Another four of the adult relate to home care.

18 My understanding, and I do have a fair bit of understanding because I have
19 taken positive action this year to take all necessary steps that we can to change
20 that and turn that round for this year, is that it is a combination of factors which
21 have led to that. The information that we use to monitor the social work services
22 is entered into a computer system called CareFirst which is a package that a range
23 of local authorities use across Scotland, so that is not an issue. The issues is one
24 of how it actually gets there, the reliability of the information as it goes in from
25 staff and thereafter the monitoring and checking of that to make sure that it is
26 robust.

27 I do not know how far back you want to go in terms of how we have got to
28 that situation by my task at the moment is looking forward to make sure that as
29 part of the transformation programmes and teams that is fundamentally a root and
30 branch performance, that we do not have an issue going forward.

31 THE CHAIRMAN: How soon do you think these indicators will be
32 confidently produced?

33 MR MURCHIE: I have been asked that question quite a lot over the last month and a
34 half or so and if you want me to go in detail through each of the SPIs ---

35 THE CHAIRMAN: No, a general indication would help just now, I think.

36 MR MURCHIE: For the home care one I am confident that as it is audited this year it

1 will be robust. For the adult and children's respite I am hopeful that they will be
2 robust in this year but I do think that that will be as a result of a lot of
3 retrospective action and effort put in by staff rather than the systemic issues
4 which we are now putting in place to solve them on a sustainable basis.

5 THE CHAIRMAN: Keith, have you anything?

6 MR GEDDES: I have two final questions, John, because time moves on. There is
7 quite a significant improvement agenda at the back of the report, on page 62,
8 Councillor Dean. How do you intend to take this forward? What processes
9 would you put in place to ensure that officials where appropriate report back on
10 every one of these 20 or so items on the improvement agenda and how would it
11 be monitored?

12 MS DEAN: I think that is where our Continuous Improvement Service and
13 Committee would come into play. This is very much one of the reasons why this
14 was set up. It is not only to monitor the continuous improvement across the
15 Council but to provide a continuous improvement ethos for members as well so
16 that we are aware of this. It would certainly come back through there, and it will
17 be minuted.

18 I could probably see that once we get the report and recommendations back
19 from this hearing we should actually almost set aside half a day or a day to go
20 through this as elected members of all parties with the senior officials and to
21 work out our preferred action plans on this, but as I say the reporting will be
22 through the Continuous Improvement Committee and from then on to Council.

23 MR GEDDES: At what level? Are you on the Continuous Improvement Committee

24 MS DEAN: I am not particularly on it, no, but it is chaired by a convener who is a
25 senior member of the administration, and again it is a full committee of the
26 Council so not one that is a sub-committee or being pushed aside or anything of
27 that nature. I would expect the Continuous Improvement Committee to do the
28 first of the work on this and to present this action plan to the whole Council
29 because I think it needs to be agreed and owned by the whole Council.

30 MR GEDDES: I wonder just in terms of the seriousness of the situation, to give it
31 emphasis in terms of turning things around, whether or not something like a
32 leadership and with the leaders of all political parties set-up at least for the first
33 12 months to drive this forward would give it the sort of urgency that perhaps it
34 deserves?

35 MS DEAN: I would certainly have no objections to that.

36 I think that is probably a reasonable way forward. As I say, I would expect the

1 Continuous Improvement Committee will wish to look at this first but if that were
2 to be one of your recommendations or indeed one of their recommendations then
3 I think that is a fair way forward.

4 MR GEDDES: OK. The last point in relation to that as well: again we are relying on
5 the surveys so we are not sure if people are happy or not but in terms of part of
6 continuous improvement it says here, according to the Audit Scotland survey,
7 less than half the councillors who replied, i.e. less than half of 17, had taken up
8 any training in the last year. What are you doing to suggest to councillors? I
9 know it is difficult; many councillors think once they are elected that they know
10 everything, it is certainly a view I held for a while, I changed that, though. What
11 are you doing? What have you done recently to urge councillors to take part in
12 training of some sort?

13 MS DEAN: As you will be aware, the last Scottish Executive put a responsibility on
14 all of us to ensure that we accept training as part of the payment package that was
15 offered to us. I am being told that the Continuous Improvement Committee in
16 fact instructed further training for their members as recently as last week. The
17 situation that we are all in, and I think given the fact that the snapshot was 2006-
18 07 in the run-up to an election and in particular this election when many members
19 were seeing this as an opportunity to step down, it would not surprise me that not
20 many had availed themselves of training in that time.

21 What has happened since then was an intense period of training at the
22 beginning of the Council session which was first of all induction training and
23 then to the particular spheres of interest of many of the councillors.

24 Many of those training sessions are on their way through their second cycle
25 now which would largely repeat the training that was done the first time with
26 some additions, but I think again because there were many new members this
27 time and many members who were taking on new and different responsibilities
28 the training which was done in the early days can only have had I would not say a
29 limited effect, that would be disrespectful to my fellow elected members, but
30 when we are all learning so much in the very early days it is difficult to assimilate
31 that information, particularly when you have nothing to link it to; if you are
32 brand new on to a council or brand new to administration it is difficult to
33 assimilate it.

34 That is why the training cycle has begun again, really, and to my mind to sit
35 through the same training a year on when you have that year's experience is going
36 to give you an awful lot better opportunity to absorb it and a wider opportunity to

1 know what questions you want to be asking. So training is very much a
2 commitment of the Council and is available to all members and, as I say, we will
3 continue to be so, and my understanding is in particular continuous improvement
4 training which will be, I am sure, largely directed at members of the Continuous
5 Improvement Committee, but nobody has ever shut the door on a training session
6 to any councillor who is interested.

7 THE CHAIRMAN: Thank you. We now move on to looking at managerial
8 leadership and structures, Douglas Sinclair.

9 MR SINCLAIR: Could I before I get into that just pick up a point that you and your
10 colleagues mentioned about scrutiny. I am not sure if you have seen the
11 submission that we received from the Labour Group but one of the points they
12 make, and I will just give you a quote, is: "The opportunities for councillors
13 particularly but not wholly on the opposition benches to obtain relevant
14 information, scrutinise performance and make a meaningful contribution to
15 development is being curtailed. Group members are increasingly having to use
16 notices of motion and questions to officials and senior politicians to pursue
17 issues."

18 MR STEWART: Maybe I could answer that. First of all, I am quite new to
19 administration and I have to say that as a member of Aberdeen City Council I
20 have been treated exactly the same in opposition as I have been in administration,
21 and I have never had a problem in getting information from any officer of this
22 Council. I think that is a very serious allegation.

23 In terms of scrutiny itself, I would point out that the Continuous Improvement
24 Committee met last week and only half the Labour members attended that
25 committee meeting, so they have the opportunity to scrutinise, it is whether or not
26 they choose to come and scrutinise, I would say. But I would go back to the very
27 serious allegation of how members are treated because I have never ever been
28 denied any information from any officer of this Council, in opposition or in
29 administration.

30 MR SINCLAIR: Thank you for that. Councillor Dean, you mentioned that there is
31 an intention to revisit or review the structure in 2008 and it is not really a matter
32 for the Accounts Commission to tell a council what kind of structure they should
33 have, but I was interested in looking back at the papers. There is always a
34 tension between the pull to centralise and the pull to decentralise and equally
35 there is always a tension between the service perspective and the council
36 perspective, and you have gone for a very radical solution, the neighbourhood

1 multidisciplinary teams, and you have described that as radical. I suppose the
2 issue for us is, it may be radical but is it effective.

3 I was struck in the early working papers, I did not get any sense of option
4 appraisal. Other councils have recognised the challenge of that tension by opting
5 for different arrangements, for example the use of co-ordinators to work across
6 the council whilst leaving the professions, if you want, in their boxes where they
7 are trying to make the join-up across the way and to counter the tendency for
8 departments to work up and down. Is it your intention looking forward to 2008, I
9 would be interested to know how wide ranging that review is going to be.

10 MS DEAN: In terms of the radical structure and is it effective, I actually think it is. I
11 think it gives more accountability at neighbourhood level. It means that if as we
12 know the needs of each neighbourhood are different and the priorities of each
13 neighbourhood are different, it is much more easy to react to that within the broad
14 umbrella of the policy and the strategy set by the Council.

15 To be honest, I have not yet started to get my head around how far this review
16 will go but I think it needs to be far reaching and I think it needs to look at every
17 aspect of this. We have obviously had concerns expressed about the structure
18 that we are using and I think it is only fair and courteous to the people who have
19 expressed those concerns that we will have to look at it. It is early days yet but,
20 as I say, I think we will need to look at it and obviously while I appreciate that it
21 is not for the Accounts Commission to tell anyone what kind of structure to have
22 I think we will need to be cognisant of what comes back from yourselves in terms
23 of the report back from this hearing.

24 MR PATERSON: Could I perhaps add, I am fairly certain that there would be
25 documentation from that period around 2000 and 2001 which would actually
26 confirm that we did do the kind of option appraisal that you were raising and that
27 that issue about having line management control or co-ordination control at a
28 local level was actually gone through and teased out and an active decision was
29 made for the option of the line management as opposed to the co-ordinating role.

30
31 There was a huge amount of work done over an extended period of time,
32 primarily within the Council but it also involved the police service and the then
33 Chief Superintendent, now the Chief Constable in Dumfries & Galloway was a
34 full member of our restructuring team. A lot of work was done and the
35 background documentation I suspect would not have been submitted as any part
36 of this process, what we would have submitted would have been the ultimate

1 papers that went to Council committees, but that degree of detail was gone into
2 and active decisions were made, always weighing up options.

3 MR SINCLAIR: Thank you for that. Can I just pursue that point a bit further,
4 particularly Councillor Dean's point about the needs of neighbourhoods varying
5 and the need to be sensitive to that. In the 2005 Council paper there is a clear
6 intention to reduce city-wide and lead roles to the minimum necessary. The point
7 was reinforced in the same papers with proposals for the further modernisation of
8 service delivery which argued for as full a disaggregation to the three areas as
9 possible. With that approach and structure how do you ensure consistency in
10 city-wide standards, that people in Aberdeen get the same level of service, and
11 city-wide reporting; secondly, the development of city-wide policy where
12 appropriate, because there will be occasions when you want to get a policy across
13 the whole city; and, thirdly, preventing the duplication of specialist resources?
14 There is always a danger in disaggregation that you end up with three teams
15 doing what one specialist team at the centre could do. I would be interested in
16 both your comments in relation to those questions.

17 MR PATERSON: Again I would suspect all the points that you are raising were
18 covered in the background papers and probably the papers that went to the
19 Council in 2001. Those are the fundamental papers. The 2005 thing was a
20 review of progress and then further refinements to move forward. You may have
21 to help me with all the points that you raise; I am not sure I can remember all of
22 them.

23 MR SINCLAIR: I will just repeat them. Given the structure that you have got which
24 aims at maximum disaggregation to the three areas how do you ensure
25 consistency in city-wide standards, because the people of Aberdeen might say,
26 "Why should I have one standard in the east of Aberdeen as opposed to the west
27 of Aberdeen?" How do you ensure that? How do you ensure consistency of city-
28 wide policy, for example social work is a good example, in terms of how you
29 treat the elderly, where appropriate? Thirdly, how do you prevent the duplication
30 of specialist resources? With the three area model there is always a danger you
31 create three teams where in some cases where it is a particularly specialist
32 service, for example education and psychology comes to mind, it may or may not
33 be the right one, it might well be better in terms of best value to provide that on a
34 central basis to the three teams.

35 MR PATERSON: Can I start by describing the job description of the heads of service
36 within strategic leadership and therefore the Director of Strategic Leadership.

1 They have got primarily three related roles and I think therein lies the answer to
2 your question. The first role is to develop the strategies and the associated
3 policies for the Council and therefore the assumption is that the bulk if not all of
4 our strategies and policies will be city-wide, and there is no presumption at all
5 that policies will be developed at a local level. That is one of the fundamentals of
6 the structure, that there would be that separation between the policy development
7 and the operational side.

8 Clearly, then, the challenge that that raises, and this was well teased out in the
9 documentation, is how you then ensure that there is a proper interface between
10 the operational side and the strategic, because you are going to have those
11 interfaces whatever kind of structure you have. So the first part of their remit is
12 to produce policies and strategies. The second part is to see that those are
13 delivered in a consistent manner across the city.

14 Therefore when I was talking, for instance, earlier about team plans, strategic
15 leadership have provided the three areas under their parts of the Council with
16 detailed guidance about the various policies, SPI targets and so on, and set out
17 what each of the teams' particular areas of responsibility will deliver. They have
18 a second responsibility which is to ensure that the policies and strategies they
19 have developed are delivered in a consistent manner across the city.

20 In relation to duplication of resources I think there are at least a couple of
21 answers there. One is, there has always been a common sense approach that if it
22 was going to be hugely more expensive to duplicate or triplicate across three
23 areas any particular resource we would not do that, if there was an overwhelming
24 argument in terms of efficiency. What we have therefore done there, and we are
25 well through the process, we have almost completed it, is that where that is the
26 case, where there is no disaggregation or reaggregation at a local level by
27 structural means that central service will have a service level agreement with the
28 areas as to what service, what level and quality of service they can expect and
29 which they can therefore assume when they are doing their planning.

30 Has that covered the three points you raised? These things were thought out
31 in great detail.

32 MR SINCLAIR: I do not know, Councillor Dean, whether you want to add anything
33 to that?

34 MS DEAN: I think the only point that I would have picked up on is the one that you
35 made on monitoring and inter-area monitoring, which again comes under the
36 remit of the Continuous Improvement Committee. Each of the area committees

1 looks at its own statistics and has the ability to thus compare them with other
2 areas but all of these performance indicators do go to the Continuous
3 Improvement Committee and they are charged with keeping the overview on that
4 and reporting where necessary, which could be policy and strategy if it is a policy
5 issue, resources management if it is a resources issue, or to any of the specific
6 neighbourhoods, the area committees, or to the area management teams if they
7 have concerns there.

8 MR SINCLAIR: Could I just pick up a point that Mr Paterson mentioned about the
9 link between the policy and the operational. Policy influences the operational,
10 equally the operational needs to influence policy. It needs to be a virtuous circle.

11 You mentioned earlier, I think, both you and Councillor Dean, about staff not
12 always understanding their roles and the question I would like to put to you, and
13 it is based on a comment by the Controller of Audit in her report in relation to
14 social work, was the lack of clarity about the respective roles and responsibilities
15 of the three operational areas and strategic centre. It seemed to me that went to
16 the heart of a fairly important issue and the extent is, is there an explicit scheme
17 of delegation in place, not just for social work but for all your services, which
18 defines clearly which decisions are delegated, and presumably all day to day
19 service decisions are delegated, and which are reserved to the centre?

20 One would assume if that was in place then that would bring a degree of
21 certainty to staff in terms of the decisions they could make and the decisions that
22 had to be referred up, which were policy decisions and which in your structure
23 are retained by the centre.

24 MR PATERSON: If you mean a detailed scheme of delegation, no, that does not
25 exist. What has been made absolutely clear is that separation between day to day
26 operational matters which are for the area teams to deliver within the policy
27 confines of defined policies of the Council and the policy side, and it is
28 absolutely clear that there is no latitude at a local level at this point in time to
29 deviate from the policies of the Council.

30 Part of the developmental process in terms of disaggregation and the
31 localisation and personalisation in service delivery is that certainly a number of
32 elected members who have spoken to me would like to see more flexibility at a
33 local level with more delegation of budgets and more freedom to use those more
34 creatively, you might argue, but at the moment because of the fears that you are
35 raising of losing control of standards, losing control of policy and so on, there is a
36 very, very tight definition, and if there is any sign of anybody stepping outwith

1 that they have got to be pulled back in.

2 That aspect of it has not actually created a major problem to date. The major
3 problem that I think you are probing in relation to lack of clarity was partly
4 related to what I explained in terms of the 2003 to 2005 time period where we
5 had retained what in essence were the remnants of city-wide control in education,
6 including intervention in operational matters, and social work, for planned and
7 intended risk management reasons; that caused difficulty and confusion for staff,
8 although it was actually well intended and it was put in place in a response to
9 staff's individual and professional concerns about the risks that could be implied.

10 The other issue was the one that you raised in your previous question about
11 the continuation of city-wide roles. What happened during that time period was
12 that we had all sorts of arguments about why individual services, and they tended
13 to be largely smaller sized services but not very small services, would fall into
14 the category where you would say there is a cost argument for keeping it city-
15 wide, why these should be kept city-wide; the lead role issue became, for
16 instance, sports management will be held in north because you had somebody
17 there who traditionally had experience in that area, where it should have just been
18 disaggregated.

19 That is why in those papers that part of the 2005 thing came largely from
20 elected members who saw the lead roles as an unnecessary, confusing and
21 restraining factor unless they were justified by that ultimate efficiency argument,
22 and that caused confusion for staff and for elected members.

23 MR SINCLAIR: Just observing in relation to delegation the sense of fear that people
24 would go native, which is in a sense what you are alluding to, but if you had clear
25 policies people can exercise that delegation within the framework of a clear
26 policy and that seems to me the bit that perhaps is missing.

27 MR PATERSON: I think you have got to distinguish, and forgive me if I am
28 misunderstanding you, between having clear policies and having a kind of
29 scheme of delegation which you described earlier. There is no doubt that we
30 have clear policies but ---

31 MR SINCLAIR: But that scheme of delegation can affect that?

32 MR PATERSON: The scheme of delegation is as I described it.

33 For the moment those policies will be delivered equally or equitably in each part of
34 the Council, each part of the city, in the same manner. Again it is a risk
35 minimisation thing in relation to the question you are raising.

36 The point I was going on to is that you could imagine, if the structure in the

1 organisation had matured to that point, that there could be greater delegation of
2 flexibility to a local level to allow more creative responses to the needs of a
3 community or individual family or whatever, but for the reasons that you are
4 rightly raising about the risks of fragmentation of the structure and loss of
5 control, our view at the moment is that we are not at the stage where that degree
6 of delegation could take place, and that is about risk minimisation.

7 THE CHAIRMAN: Iain Robertson will now move on to accountability and scrutiny.

8 MR ROBERTSON: We have touched a bit on scrutiny already, so I will try not to
9 duplicate that. As I understand it, you agree with the Controller of Audit and
10 with us that without absolutely accurate and appropriate and plentiful information
11 the councillors are prevented from exercising both their scrutiny and their
12 leadership roles and in addressing this you have set up the Continuous
13 Improvement Committee. Can I ask what impact that committee is having,
14 perhaps if I can ask the Leader first; is that committee really working and is it
15 your leading scrutiny committee?

16 MS DEAN: It is our leading scrutiny committee and the chair of that was appointed
17 because it was a great interest of his and something which he had felt was
18 needing to be improved.

19 I think we also have to look at the fact that we have a continuous improvement
20 service as well now, so it is not just a committee but it is a whole service
21 designed not only to help us with effective scrutiny but to turn that scrutiny into
22 the plans and procedures that need to go on to actually make the improvements
23 that we are looking for.

24 I am aware of various items which that committee has taken because it has the
25 powers to effectively scrutinise or look at any decision, any aspect of the
26 Council, I am aware that they have been proactive on several occasions. If you
27 asked me for examples I would be struggling, and I do not know whether the
28 convener is here on the public benches but I am sure we can manage to find
29 examples if you are looking at it. I think that is the important part, that they have
30 already been seen to be proactive, they are not only dealing with audit reports,
31 internal and external, they are dealing with all the performance management
32 figures and the comparison of those across the three areas but, as I say, are also
33 proactively seeking to challenge areas within the Council. And again any other
34 committee which is unhappy with anything can either undertake its own
35 investigation or preferably refer matters to the Continuous Improvement
36 Committee for investigation.

1 MR ROBERTSON: And the Continuous Improvement Committee is chaired by a
2 member of the administration?

3 MS DEAN: It is, yes.

4 MR ROBERTSON: Would it not be more valuable if it was chaired by somebody
5 from the opposition?

6 MS DEAN: It is something that certainly was considered but in terms of the
7 relationship between the committee and the service I think it is important that it is
8 chaired by a member of the administration. I was once told by my predecessors
9 in administration when we asked them the same question of the then Standards
10 and Scrutiny Committee that the person they had put in charge was virtually a
11 member of the opposition anyway, or some joking phrase of that nature. I would
12 refrain from saying such a thing but I think we would be hard pushed to find
13 anyone on the Council with a more robust idea of challenge than the convener of
14 that committee. Is that fair?

15 MR STEWART: I would say so. Do you want me to add to that?

16 MR ROBERTSON: If you can.

17 MR STEWART: I will, if you do not mind. I was initially on the Audit Sub-
18 Committee of this Council when I first joined in 1999, which was very weak
19 indeed. We moved on to the Standards and Scrutiny Committee which upped the
20 game and now we have the Continuous Improvement Committee, where there is
21 much more room for scrutiny, and when it comes to such things I would have to
22 say that I am a complete and utter anorak.

23 In terms of scrutiny we do not only just have the Continuous Improvement
24 Committee, we also have the area committees where now much more information
25 is available to me and to other elected members which I like to see so that you
26 can actually deal with the problems that do exist out there. It should also be said
27 that there is also a fair degree of monitoring at the Policy and Strategy Committee
28 on its statutory performance indicators and at the Resources Management
29 Committee, which I chair as well. I have to say that the level of knowledge and
30 information that we can get at now is much greater than it has ever been since I
31 have been on this Council.

32 You were asking about major differences that committees can make and what
33 the Continuous Improvement Committee has done. The prime example is that
34 you had Mr Murchie here earlier on talking about the failure in terms of 19 of the
35 performance indicators. The Continuous Improvement Committee last week
36 again went over this ground to ensure that there was movement forward on this

1 issue because we are unhappy. That is not the first time that has happened, that
2 has happened before. We are able, much more able, I would say now, to move
3 forward on these things and scrutinise what is happening in these particular areas.

4 MR ROBERTSON: Thank you. The audit report criticised the lack of scrutiny of
5 Best Value. Will that be the committee that scrutinises Best Value?

6 MR STEWART: It will be and it has been, and I would go back to the point that the
7 report itself is from that period, 2006/07, and not as things stand today.

8 MR ROBERTSON: And that committee will also scrutinise the way the Council is
9 being run?

10 MR STEWART: It does.

11 MR ROBERTSON: There is another form of scrutiny, and that is with a small 's'
12 perhaps, scrutiny by the public. The report was actually quite complimentary on
13 your annual report, it won various awards for Plain English and things like that,
14 but the report also acknowledged that it perhaps was not published widely
15 enough and that neighbourhood service reporting was somewhat inadequate. It
16 also pointed up weaknesses in service base reporting, I think they said that four
17 out of 130 PPR reports were not available. How can your customers, the people,
18 judge whether you are doing a good job if you do not put the information out to
19 them, if you do not have it sent out? Perhaps the Leader would like to answer
20 that.

21 MS DEAN: I think that is a fair point and my understanding is certainly that many
22 more of these reports are now available. We need to get the information out to
23 the public. We are fortunate I think to have a local press who take a great deal of
24 interest in the workings of the Council and the public similarly take a great deal
25 of interest in the workings of the Council, so notwithstanding the kind of
26 statutory or formal means of getting the Council's performance out I think that
27 scrutiny with a small 's' certainly happens in no short measure.

28 MR ROBERTSON: Thank you.

29 MR SINCLAIR: Can I just ask Councillor Dean about the issue of benchmarking
30 about competitiveness which you mentioned earlier on. You said that you were
31 keen on market testing and you were looking at this. I accept from the period
32 from 1995 through to 2003 your group was not the administration of the Council,
33 but notwithstanding that since 2003 and indeed, if you want, before that there
34 were about 14 years where services in Aberdeen were not exposed to competitive
35 tender; so how do you give the guarantee to the people of Aberdeen that the
36 services that you currently provide represent value for money?

1 MS DEAN: I think that is an issue that we have been wrestling with. Obviously
2 there have been best value reviews within that time but I think that is why there
3 has been much more of a move to go towards market testing and I would draw
4 the distinction there between market testing and immediately privatising services,
5 which of course is what we are accused of any time we suggest market testing.

6 I think it was a concern that we were not able to provide the kind of
7 assurances that you are talking about which has led to consideration of market
8 testing which, as I say, has not been a popular decision. There is another one just
9 either been approved or about to be approved, about to be considered over the
10 next little while in terms of grounds maintenance services which we need to look
11 at. But we have best value reviews which have gone on for the length of time
12 that Best Value has been ---

13 MR SINCLAIR: But good Best Value reviews involve option appraisal and market
14 testing, rather than just looking, "Where can we make efficiencies?"; they are part
15 of the debate about Best Value reviews but an open, honest and transparent Best
16 Value review would be to say, "Well, let's test the market and see whether our
17 ratepayers, our council tax payers, are getting value for money".

18 MS DEAN: Yes, and can I say that ---

19 MR SINCLAIR: What are your plans in relation to all your services?

20 MR STEWART: Can I maybe come in?

21 MS DEAN: Please.

22 MR STEWART: At this moment in time there is market testing going on in some of
23 the building cleaning services. Councillor Dean has mentioned grounds
24 maintenance and that is something that we are keen to progress very quickly.
25 That has been under discussion for a while. Again I would refer back to the
26 Continuous Improvement Committee, we keep going back to that today; it was
27 recommended that there be a report as soon as to the Resources Management
28 Committee to allow the market testing of that service.

29 I would recognise that there has not been probably as much market testing as
30 maybe should be the case. I think Councillor Dean is right to point out that in
31 some regards you do face that accusation of moving to privatisation if you market
32 test and that is something that we have got to overcome and get on with the job of
33 actually going out there and doing the market testing that is required.

34 I have to say that in some regards the moves towards market testing is because
35 of changes in the market itself. In terms of the building cleaning stuff which we
36 are doing at this moment in time we cannot get the staff, so I think we have got

1 absolutely no option but in some regards to go and do this anyway, for all kinds
2 of reasons.

3 MR SINCLAIR: Thank you.

4 THE CHAIRMAN: Could you just sum up succinctly for me why there has been
5 such a long time before market testing ground maintenance and environmental?
6 That is of the Leader; I beg your pardon.

7 MS DEAN: I think every time that it has been suggested there has been opposition
8 from not only the opposition groups within the Council but from within the trade
9 union movement as well, again understandably. It has seemed like an extremely
10 big issue. We have attempted to do it, it has been debated at many, many
11 meetings, and in some cases concerns over trade union relationships and
12 relationships with staff may have set this back a bit, but I think we are now at the
13 stage of realising that this requires to be done and that we need in all good faith
14 to take the trade unions along with us because they need to realise that this is a
15 necessary part of our scrutiny on the Council .

16 THE CHAIRMAN: As you know, we are seeing the unions during this hearing, so
17 obviously it is a point we will put to them. In the meantime, are discussions
18 started with the unions on this matter?

19 MS DEAN: On the particular one?

20 THE CHAIRMAN: Yes.

21 MR EDWARDS: I think we have but I would prefer to refer to the local ---

22 THE CHAIRMAN: All right, we will leave that just now. Let us then move on to
23 finance in the time just before lunch and then we will draw a halt for lunchtime. I
24 have already referred earlier to the auditor's report that talked about the financial
25 position being precarious; that is paragraph 112 of the best value report;
26 significant deficits in the last two years with a further deficit predicted for
27 2007/08. I guess part of the deficit is the failure to make the savings that were
28 committed to in 2006/07 and 2007/08. Is that fair?

29 (Inaudible comment)

30 MS DEAN: Yes.

31 THE CHAIRMAN: One of the problems with such hearings is that eventually some
32 of the questions discussed earlier start to cascade down the way, we overlap a
33 little, but nonetheless we need to pursue this particular line. Yes, please, Mr
34 Edwards.

35 MR EDWARDS: Thank you, Chairman. You are right, savings have not been made
36 in 2006/07 and 2007/08. I think reference was made in the Audit Scotland

1 introduction to one of the reasons for the overspend being the payment of
2 compensatory payments under the single status agreement.

3 Can I make the point there that the Council anticipated those payments being
4 made and put a funding strategy in place to deal with that. That funding strategy
5 essentially was the disposal of some assets where it was deemed to be Best Value
6 to dispose of and create a capital fund, and the idea was to release the capital
7 fund into the general fund to meet the cost of those compensatory payments.
8 That was agreed in advance before the compensatory payments were made. The
9 problem with the capital fund, and I do not want to be too technical, is you can
10 only release so much of the capital fund into the revenue account, into the general
11 fund, each year, it is limited how much you can release each year.

12 So the funding was there, the funding strategy was there to deal with the
13 compensatory payments, it was a timing issue. I do not want to give the
14 impression there was an overspend because of compensatory payments. Plainly
15 we had to think how to fund it; the funding strategy was in place ahead of that.

16 Two other issues in terms of the overspends in 2006/07 and 2007/08;
17 obviously any council budget is very huge, it is very complex, but the main areas
18 of overspend as we talked about were on the health and care side, the social
19 work/health and care side. More accurately, rather than saying overspend we
20 would argue it is over-budget commitments because of increased needs from
21 client groups.

22 I think we came to the position that we could not fund these increased needs
23 led demand services by continually funding it from reserves and balances or
24 making just general cuts in service delivery, something far more radical had to be
25 done, and that is where we came into the process of transforming the way that
26 those services are delivered, adult services and children's services, looking at
27 various forms of care, various packages of care, and coming up with alternatives
28 that still provide the quality of service but not such an expensive option. So we
29 have dealt with that in the bigger picture in dealing with the transformation
30 strategies which did kick in during 2007/08 and are going to kick in in far greater
31 numbers and greater detail in 2008/09.

32 I think one of the comments obviously that has been made as well is, "You are
33 putting a lot of store on these transformation strategies, generating savings/cost
34 reductions in 2008/09". That is absolutely correct, we are putting a lot of store on
35 that because we believe that is the only way we can go in order to stay within our
36 budgets. We do take the point that grant distribution is a zero sum game and we

1 fully recognise that. We would make the point that we have been at the bottom
2 three per head of population ever since 1996 and living within tight budgets is
3 something we have had to do since 1996. But we have come to the point where
4 we cannot just make cuts in services without some fundamental approach as to
5 how we deliver services. That is why the transformation strategies are coming in
6 and are playing a big part in our budget strategy in 2008/09.

7 If you permit me, I can go on to say that in 2008/09 we will be monitoring the
8 budgets very, very closely through the Budget Monitoring Board with the
9 monthly reporting to that board, in particular monthly reporting on progress of
10 transformation strategies using what we call the traffic light system - Are we on
11 target? Are the strategies delivering? Are the action plans in place? -
12 recognising that it is a big sum there and having, I think as Councillor Stewart
13 referred to, a plan B, as he called it, a risk management approach to our budget.

14 If those transformation strategies do not come in in their entirety in this
15 financial year as a dual implementation or whatever, we have another plan to fall
16 back on and that plan does consist of a number of elements to it. It is holding
17 back spend on some of the areas of the budget. It is not committing all the
18 revenue investment we have for driving transformation, so it is a balancing act
19 between committing that sum and holding it back. It is looking at other things
20 like potentially not committing all the capital projects to hold back on capital
21 financing. That will be assessed on a monthly basis at the Budget Monitoring
22 Board. It is a risk assessment on a monthly basis.

23 So we see the Budget Monitoring Board being a very powerful board of the
24 Council, all party representation on that board, that will monitor the budgets, all
25 aspects of the budgets, particularly the transformation programmes, on that
26 monthly basis and will take decisions on a monthly basis.

27 THE CHAIRMAN: Thank you.

28 MR STEWART: All party and independent members of the Council were on that
29 board.

30 THE CHAIRMAN: Thank you. Can I just go back to something you said about
31 identifying needs within the social care budget, the social care spend. To what
32 extent was that late recognition of a need that could have been in the budget?

33 MR EDWARDS: I think some colleagues from that service may be able to answer
34 more adequately than I can but it is difficult always to predict need. It can be
35 very unpredictable, when a child requires some particular level of care, individual
36 care packages can cost £200,000 or £300,000 each, that is not atypical, and you

1 cannot predict exactly when that might come through. So to that degree there is
2 an unpredictability with the health and care budgets, it is not as static as perhaps
3 other budgets are, and that is something I know other councils always have issues
4 with as well, it is that dynamic approach towards the social work budget.

5 THE CHAIRMAN: All right. Let me then pursue that a little in terms of your plan of
6 monthly monitoring. Given that it is so unpredictable does that mean that the
7 monthly monitoring will be there if you like simply to note the change? How
8 does the monitoring work if the need is going to be unpredictable? What does the
9 monitoring contribute?

10 MR EDWARDS: The monthly monitoring will be the historical side of it, as I think
11 you alluded to, but also looking ahead in trends analysis in terms of potential
12 commitments coming through. As I said, that cannot be 100 per cent accurate but
13 you can start looking at some trends coming through in terms of elderly people in
14 care, trends coming through in terms of vulnerable adults who require care
15 packages, predicting ahead to the year end and making some assumptions based
16 on past experience of what the likely increase may be.

17 That cannot be an exact science but we are getting better, I would say, in that
18 trends analysis at predicting what demand for services might be, it cannot be 100
19 per cent, as I said. So it will not be as to the historical side of it, it will be
20 predicting trends going forward as well and taking decisions based on those
21 forward trends and forward predictions.

22 MR STEWART: I think there are also a number of things which we need to look at
23 because the way that we currently commission services has to change as well.
24 We are putting in place in control where people will be in charge of their own
25 budget. Those will be fixed budgets and we will have a clear indication of what
26 that spend is likely to be. So there is a radical shift in the way that we are dealing
27 with some aspects of social care as well and some of that shift will mean that we
28 will have a more concrete idea of what we are actually going to be spending.

29 THE CHAIRMAN: And are you content that the information the budget holders will
30 receive will enable them to manage the budgets?

31 MR STEWART: I would hope that that would be the case but we have put in place
32 the Budget Monitoring Board for that reason. We also have a group who are
33 looking at the commissioning of social work at this moment in time which will
34 involve folk from the voluntary sector as well for their professional input to make
35 sure that we are getting best value in terms of the commissioning that we are
36 doing as well.

1 THE CHAIRMAN: Thank you. Let me then move on to 2008/09 where there is an
2 assumption, a plan to achieve savings of £27 million.

3 MR STEWART: Could I just say, it is savings of round about the £24 million mark
4 because we have the £3 million investment fund to drive forward the
5 transformation.

6 THE CHAIRMAN: Thank you. The £24 million: how much detail has been looked
7 at there in terms of estimating that saving? Is that a fully costed £24 million?

8 MR STEWART: We as the administration looked very carefully at the information
9 that came in front of us and have put together a budget which officers have given
10 us, the list of possible savings which we hope will be delivered. But, as has been
11 said, we have got a plan B in place just to make sure that we do not reach a
12 situation or try not to reach a situation of overspend again.

13 As was highlighted earlier, we are well aware that the balances at the end of
14 March are likely to be in the region of £2.9 million. That leaves us very little
15 leeway, it has to be said. We are trying to ensure everything possible to deliver
16 this budget as a balanced budget.

17 THE CHAIRMAN: I think that is what led the auditor to describe the position as
18 precarious. Mr Edwards, please.

19 MR EDWARDS: It is just to mention that each saving/cost reduction in 2008/09 has
20 got a detail behind it, there is no kind of blanket general savings there in
21 management costs or general savings in overheads. Everything has been detailed
22 to that extent, so it can be monitored quite closely. There is nothing of a general
23 nature in there.

24 THE CHAIRMAN: OK, thank you.

25 MR STEWART: Can I add to that as well because in terms of the amount of
26 information that councillors had in the budget documents which went to all
27 groups, we had much greater levels of detail of impact as well on those savings.
28 We had for the first time in many areas the amount of service users of a service
29 and various other things which we had not had before because of the Citistat
30 process and other methods that had been put in place.

31 THE CHAIRMAN: Thank you. Let me then refer to the Controller of Audit's report
32 at paragraph 48 because this says that, and this is a question for the Leader: "...
33 the process of linking corporate and service-based plans and the more recently
34 introduced neighbourhood community action plans was still under way. As a
35 consequence the council still had work to do to link resource planning and
36 budgeting to corporate and service planning." I am slightly confused by that in

1 the sense of how one plans resources without links to the corporate plan.

2 MS DEAN: I think that was part of the issue, that many of the budgets were still held
3 fairly centrally and had not been disaggregated and reaggregated to the
4 neighbourhoods, and that has been part again of the challenge of this budget
5 round. My understanding is that that is much more clearly defined now than it
6 was 18 months ago.

7 THE CHAIRMAN: So it is tightening gradually, slowly but surely; thank you. Let
8 me pursue the generality of that. Paragraph 65 refers to the internal audit report
9 on the development of service plans. It identified a number of weaknesses that
10 still existed in 2006/07. One was that there had been no review to ensure that
11 such service plans could be delivered within existing budget allocations. Can
12 you just confirm to me that the service plans are now checked against budgets for
13 affordability?

14 MS DEAN: Can I have that confirmed by others?

15 MR EDWARDS: Yes, through the service plans, through the transformation
16 programmes everything links in there in terms of service planning, being
17 informed by the transformation strategies which inform the budgets, so there is
18 that linkage now being developed and being strengthened.

19 THE CHAIRMAN: So, to be short, that is a yes?

20 MR EDWARDS: It is a yes.

21 THE CHAIRMAN: Thank you. A final question from me just now, and then I
22 suggest we break for lunch, and it is this. The Controller of Audit's report at
23 paragraph 14 talks about how the population of Aberdeen City Council is
24 expected to decline by 23 per cent by 2024, and of course within the population
25 there are various categories of change, old people, younger people etc. Have you
26 identified, have you discussed the consequences for the Council's planning in the
27 short term and in particular the long term financial planning?

28 MS DEAN: Yes, it has certainly been discussed and I think that is why we are doing
29 all that we can. We are in a strange situation in terms of our planning framework
30 at the moment. Our Local Plan dates from 1991; the reasons why the Local Plan
31 dates from 1991 I do not think are necessary to rehearse here. The next Local
32 Plan is with the Scottish government at the moment and we would hope to have
33 approved probably by the end of the summer. From that point of view it means
34 that the housing land allocations and even industrial land allocations are way out
35 of date. What we have done certainly within the Local Plan is to open up much
36 more of that and the new City Region Structure Plan - I think it is City Region

1 Plan, rather, "structure plan" in my traditional mind - will actually give much
2 more opportunity to try to reverse that balance.

3 The difficulty that has been caused, the shortage of housing land then pushes
4 up the price of that land which means that developers looking at that land are
5 trying to get the maximum number of units on that, which is understandable from
6 their point of view. We now have a surfeit of flats, which are still being sold, so
7 it is not a surfeit that is a problem, but when people are looking for family
8 housing they are moving into Aberdeenshire, the relative drop in our population
9 is virtually equalled by a relative increase in Aberdeenshire's population. So, as I
10 have said before, when people get to the stage of wanting a front and back door
11 and a garden they are heading to Aberdeenshire to do it.

12 While, yes, we have factored this into our plans for the foreseeable future we
13 are also doing what we can to try to reverse that trend. In particular the
14 upcoming structure plan is looking at 35,000 new homes within the city
15 boundary, so I think it is as important that while we need to plan for the
16 eventualities of a population decline then we also need to try to plan to avoid that
17 population decline, and that is the way we are trying to work it.

18 THE CHAIRMAN: Thank you. Just before we break for lunch let me check with my
19 colleagues whether anyone wants to ask any burning question that cannot be
20 deferred until afterwards. There is none. Are there any other points you wish to
21 make just before we break for lunch, or would you be quite content to carry them
22 forward?

23 MS DEAN: I think we have had a fair chance to have our say and I am grateful for
24 the questions we have had.

25 THE CHAIRMAN: We are not finished yet. There are a lot more questions. This is
26 half time.

27 MS DEAN: I will leave it at that, then.

28 THE CHAIRMAN: We shall reconvene at 2 pm.

29
30 (The lunch adjournment)

31
32 THE CHAIRMAN: Good afternoon, ladies and gentlemen; welcome back to the
33 afternoon session of our public hearing. The story so far is that I am just about
34 finished my questions on finance, I have just a few more to put to the Leader and
35 others who wish to respond on looking forward.

36 Can I then turn to the future and looking at the base budgets for the three years

1 2008/09 to 2010/11. The net expenditure for 2008/09 is £444 million and that
2 represents an increase of 19 per cent on the base budget for 2007/08. If I then
3 were to give you the same percentages as increases on 2007/08 for the succeeding
4 two years, these are 24 per cent and 29 per cent increases. These are base budget
5 figures. They are clearly significant increases in expenditure. Could you give us
6 some outline of the reasons for these increases?

7 MS DEAN: I think I am going to have to ask Mr Edwards to respond on that one.

8 MR EDWARDS: Just to clarify, Chairman, you started off with a figure for 2008/09
9 of what?

10 THE CHAIRMAN: £444 million.

11 MR EDWARDS: And you were relating that to the percentage increases based on
12 previous years?

13 THE CHAIRMAN: No, that £444 million, I am taking the succeeding two years, I
14 am taking that as an increase on the previous base budget of 2007/08; I am using
15 2007/08 as my base, being the last year of actual or thereby; and, you know, big
16 increases, I am sure there are good reasons but we would like to understand what
17 they are.

18 MR EDWARDS: OK. I do not have all the base budget information with me,
19 unfortunately. I can tell you some of the increases there would be that in 2008/09
20 we are certainly assuming the full year effects on job evaluation comes in in
21 2008/09 which accounts for £11 million. We are assuming quite substantial
22 needs led increases in health and care budgets which I mentioned before, which
23 were around £10 million. There will be increases in salary wage awards which
24 will be around £6 million or £7 million. There are increases in the waste
25 management contract which from memory is around £4 million or £5 million.

26 MR STEWART: £3.4 million.

27 MR EDWARDS: £3.4 million. There will be increases in capital financing charges
28 of about £1.2 million. We do have an analysis, I think Councillor Stewart there
29 gave us it, which takes us to £37 million in total, and if I have missed anything
30 maybe Councillor Stewart could add one or two more.

31 MR STEWART: Councillor Stewart could if he had all the papers but I have only got
32 part of them so I am sorry. If you give me a moment I will have a look.

33 THE CHAIRMAN: It is whether no or not.

34 MR EDWARDS: An increase in account for the year of £37 million accounts for
35 salary wage awards of £6.1 million, loan and interest charges from the capital
36 programme of £1.4 million premises and energy costs to new contract, £2.8

1 million, landfill tax penalties and waste charges, £3.4 million; the ongoing needs
2 led commitments in social work is about £9.7 million, the equal pay and
3 modernisation built in to the pace budget for 2008/09 is just over £10 million,
4 plus we have got a contingency provision of £1 million and some other general
5 inflationary uplifts which account for £1.1 million. That to me would add up to
6 just about £34 million, but if you want me to go into a bit more detail I would
7 need to spend a bit more time to go into a more detailed breakdown.

8 THE CHAIRMAN: No, it is the generality I am interested in just now. If you then
9 look at the succeeding two years these costs continue to go up other than, if you
10 like, on what you might expect to be a reasonable stab at general inflation.

11 MR EDWARDS: Again what I would say for the previous two years, again I would
12 need to go back and get further detail on that.

13 THE CHAIRMAN: For the succeeding two years' budget.

14 MR EDWARDS: I am sorry.

15 THE CHAIRMAN: You have compared from 2008/09 with 2007/08,
16 and that has been helpful.

17 MR STEWART: Yes, but you are talking about succeeding years?

18 THE CHAIRMAN: These costs for the succeeding two years thereafter continue to
19 go up beyond what seems to be general inflation, and I am curious just to
20 understand what the Council's plans are.

21 MR EDWARDS: Would you mind if I was to defer to the City Chamberlain there,
22 who will perhaps have a more detailed make-up?

23 THE CHAIRMAN: I am happy for anyone who can answer it to answer it. Could I
24 ask you, please, for the record to state your name and position.

25 MS COOPER: Thank you. It is Susan Cooper, City Chamberlain. Just to clarify that
26 we are talking about the years 2009/10 and 2010/11; is that correct?

27 THE CHAIRMAN: That is correct.

28 MS COOPER: The report to Council back on 14th February outlined a range of
29 uplifts, making assumptions in regard to salary cost pay awards, general
30 contractual uplifts, assumptions in regard to our capital programme and therefore
31 the potential impact on our capital financing charges, so a range of indicators
32 were applied in regard to that, general inflationary ones; assumptions about pay
33 award negotiations. We also made assumptions in regard to potential uplifts for
34 requisitions from fire, police and general valuation boards, so the types of things
35 that account for the uplift in those years, basically. We also flow through the
36 budget savings in 2008/09 some of which may be recurring, some of which may

1 be non-recurring, and that might also account for any kind of variation and
2 difference as well.

3 THE CHAIRMAN: So that any savings are included in those budgets, is that correct?

4 MS COOPER: Yes, that is correct.

5 THE CHAIRMAN: What is the extent of savings in those two years?

6 MS COOPER: In those two years the flow through of the £27 million spoken about
7 before, yes, those do flow through into those years. I do not have the details with
8 me but I do recollect that if they were achieved in 2008/09 and continued into
9 2009/10, in effect broadly we would have a balanced budget in 2009/10 and for
10 2010/11 we might have a small surplus, but that is subject to the underlying
11 inflationary uplifts used and any other changes, any factors in relation to that.

12 THE CHAIRMAN: Yes, I understand that. And it is £27 million, just to be precise,
13 which is the anticipated savings in each of those two subsequent years as well?

14 MS COOPER: I would need to get back to you on the detail of that because I do not
15 think it necessarily is the £27 million flowing through in each year.

16 THE CHAIRMAN: Higher or lower, would you know?

17 MS COOPER: Off the top of my head I do not recollect, to be honest.

18 THE CHAIRMAN: Thank you.

19 MS COOPER: All I do know is that they flow through. On the basis of the inflation
20 uplifts utilised on the face of it it would appear that we have an initial balanced
21 budget for 2009/10 and 2010/11 but based on the underlying premises and
22 assumptions used.

23 THE CHAIRMAN: Thank you very much. I have one or two other questions of a
24 similar nature. I guess I will put them to the Leader and the Leader can decide
25 who should answer them. The amount budgeted for strategic leadership increases
26 from the base budget for 2007/08 of £22 million to almost £48 million a year
27 later and thereafter continues to increase. That is quite an increase. Can you
28 explain why that is?

29 MR EDWARDS: We did a bit of analysis into the base budget here for the two years.
30 I am just wondering, to save some time, I wonder if Abigail Tierney, the
31 Director of Strategic Leadership, might know something, to give us a quick
32 answer.

33 THE CHAIRMAN: As I say, I am quite happy for anyone to inform us of what is
34 happening.

35 DR TIERNEY: My name is Abigail Tierney: I am the Corporate Director for
36 Strategic Leadership. I can only say that we are delivering savings over the next

1 three years so I need to understand whether it is a typing error, because I am
2 certainly not aware of that increase.

3 THE CHAIRMAN: I see. I am sorry if this is tiresome for the rest of the audience
4 but it is quite important that I get to the bottom of this. There is a line, three from
5 the bottom, half way down there, where there is a sub-total of £409 million for
6 the base budget £8.9 million. You do not have that? All right. I think in the
7 circumstances this is probably not going to take us very far at the moment and we
8 should probably take this off line and get explanations for it. But it is interesting
9 to me that there is this very significant change in the amount budgeted for
10 strategic leadership. Do you have that now?

11 DR TIERNEY: I think I can answer it now. I would need some clarification from
12 Gordon Edwards but I think it has been a shift in the way we are reporting the
13 accounting and that previous central management services were split right the
14 way across and they have now been all recorded differently. That is how I
15 understand it, so it is actually how it is being recorded that is different.

16 THE CHAIRMAN: So we are not comparing like with like?

17 MR EDWARDS: I think that is correct, it is not quite the same base, there have been
18 more direct allocations now to strategic leadership. Now we have got a bit of
19 handle on what each service delivers and what the support arrangements are there
20 are better allocations now to that as a service, so it is not quite like for like.

21 THE CHAIRMAN: All right, thank you. Can you confirm it is not an expansion and
22 that the actual expenditure itself is not the expansion it suggests, therefore; is that
23 right?

24 MR EDWARDS: It is certainly not the expansion, no, certainly not.

25 MR STEWART: It has not had political back-up, if there is an expansion there, so
26 the answer is, no, it is not an expansion.

27 THE CHAIRMAN: I was coming to that; thank you. Let us push on, then. The same
28 budgets refer to general revenue grants showing significant increases for 2009/10
29 of 20 per cent on the year 2007/08 again, and there is a similar increase, 25 per
30 cent, for the year after compared with 2007/08. Can you just confirm that these
31 revenue grants have been agreed or virtually agreed with the Scottish
32 Government or how much are they soft figures?

33 MR EDWARDS: I think what you refer to there, Chairman, is the fact that is the
34 general revenue grant that we get from the Scottish Government.

35 THE CHAIRMAN: Yes.

36 MR EDWARDS: Previously we got it in two elements, if you like, there was the

1 general revenue support and a whole host of specific grants which were allocated
2 against individual services. Obviously it is all consolidated now.

3 **THE CHAIRMAN:** It is the amount, though. Those amounts have been confirmed as
4 part of the agreement, have they?

5 **MR EDWARDS:** They have been confirmed provisionally as part of the three year
6 funding settlement.

7 **THE CHAIRMAN:** Yes.

8 **MR EDWARDS:** Obviously they may well be changed in years two and three by the
9 Scottish Government but those are the provisional allocations at this point in
10 time.

11 **THE CHAIRMAN:** Thank you. And the final question before we move on to another
12 topic altogether: again looking at the budgets for the same three years there is
13 shown an anticipated income of £27 million to £30 million over the three years
14 and it appears to be anticipated from such activities as sports and leisure,
15 learning, social work, shelter and environment. What is the source of those
16 anticipated revenues? Is this new charges being introduced?

17 **MR EDWARDS:** Again I would need to look at the detail, which I do not have in
18 front of me. I suspect it would either be existing charges for those services or
19 potentially a new range of charges, but I would need to look at that in some
20 detail, if you can give me some light.

21 **THE CHAIRMAN:** The reason that it prompted a question was that they do not
22 appear in previous years.

23 **MR EDWARDS:** Would you mind taking that one off line again so that we can have
24 a look at that in a bit more detail.

25 **THE CHAIRMAN:** Yes. The thrust of my question is, are these new charges.

26 **MR EDWARDS:** We have introduced new charges in certain areas, that is the case.

27 **THE CHAIRMAN:** These aggregate to about £30 million by three years' time. Does
28 that sound about right to you?

29 **MS COOPER:** We are requiring all officers under standing orders to review their
30 charges and we are also looking at how we benchmark and compare to other
31 authorities as well.

32 **THE CHAIRMAN:** Thank you. Let us then move on to people management. Iain.

33 **MR ROBERTSON:** This is a question for both the Leader and the Chief Executive
34 but the first part of it is primarily for the Chief Executive. In all my years in
35 business in the public sector I have never heard of a culture of non-compliance, in
36 other words, your staff are not doing what you want them to. What has caused

1 such a culture?

2 MR PATERSON: I think we have got to look at two things. One is what the term
3 which has come into currency actually means and then your point about what has
4 caused that. What it attempts to describe is a situation which is the starting point
5 that we had in 1996 and which we have been working on where decisions can be
6 made by management, by committee to the Council, statutory issues, and there
7 are varying degrees to which you can assume that there will be compliance with
8 them.

9 It is not necessarily wilful lack of compliance by staff, it is the fact that new
10 things are often difficult to build into people's working routines. That can go
11 from anything from really serious issues like issues around health and safety back
12 to routine things that would affect public perception, things like responding
13 within the 15 days that we normally give to respond to the public, or into
14 systemic things like you are trying to introduce a new appraisal scheme and some
15 services will pick that up and run with it relatively easily and relatively quickly;
16 others you may have real difficulty getting it established.

17 It is about how you get alongside people and that is why I was emphasising
18 earlier on things like team planning and so on, to actually alter those behaviours,
19 to get them to include as part of new routine behaviours things which are seen to
20 be new and additional to them.

21 That was the situation we inherited and basically we are only making really
22 rapid progress on it now, and it was some of the things I ran through in the
23 morning, because we now have senior management down to third or fourth tier
24 who are committed to picking these things up and making the necessary
25 interventions to ensure that staff have the necessary structures and support to
26 implement them.

27 MR ROBERTSON: So you think, let me put it simply, that this lack of staff
28 understanding is going to be corrected by good old fashioned top-down
29 management?

30 MR PATERSON: No, I do not think that was what I said.

31 MR ROBERTSON: It sounds very like it.

32 MR PATERSON: What I was trying to describe was a situation where it is not solely
33 about the top-down management but it is about having the proper management
34 structures in place to provide staff with clarity about what is expected of them
35 and then support and challenge to ensure that they actually pursue those.

36 The kind of thing I am talking about is attempting to get safety audits done in

1 buildings. What we did there was sent out instructions and provided whatever
2 support people indicated they needed, but you then have difficulty getting
3 beyond, say, 60 or 70 per cent of actual establishments getting them done, so you
4 have then got to provide further support and monitoring and checking to see that
5 they happen, because in that case you are talking about a serious health and
6 safety issue whereby it is your responsibility as an employer to see that is
7 happening.

8 What that checking then leads to is potentially resentment among staff in
9 terms of, "This is top-down, this is tick box management," and so on, but there
10 are points that you get to whereby the risks of not ensuring that there is
11 compliance outweigh the risks of actually going through that process. So it is not
12 just about top-down management. We have been providing structures within
13 which people will work where there should be much less lack of clarity as to
14 what is expected of people. If you assume that most staff are genuinely trying to
15 do a good job, but you are asking them to do new and different things which they
16 may regard as additional to the routines that they have been traditionally involved
17 in, it is much wider than just instructing them to do it. It is about training, it is
18 about culture, it is about structures that are around them to assist the process.

19 MR ROBERTSON: That encouraging staff to own the process is what you have
20 failed to do and now you are effectively saying that you have to resort to telling
21 people what to do.

22 MR PATERSON: No. What I was suggesting was that there were different levels of
23 commitment from managers previously to actually ensuring that it happened.
24 When I say ensuring it happened, I am putting that in the context of what I said
25 about the "ensuring" includes support as well as challenge.

26 I had an interesting conversation with a management team in the pre-2005
27 period where we were having real difficulty just getting basic returns back from a
28 group of managers and it did not matter what went out to them, 20 or 30 per cent
29 of them regularly did not respond and had to be chased up. When I talked to the
30 directorate who were responsible for those managers and said to them, "What
31 have you been doing about this?" the basic answer is, "We've just accepted it".
32 What we are getting in terms of the work that is going on just now, because we
33 have put a lot of investment into leadership and leadership development over the
34 last two to three years, are that the people who are doing the leadership
35 development indicating that often our managers have been more concerned in the
36 past about being seen to be nice as opposed to efficiency in getting things done.

1 MR ROBERTSON: Can I turn the question a little bit to the Leader. There have
2 been, for example, staff appraisals going on in businesses in Aberdeen since the
3 1970s, probably even before that. How are you going to tackle this now? It is
4 not going to change overnight. How are you going to get the Council's
5 aspirations met over the next couple of years?

6 MS DEAN: I think a lot has changed in the last little while, there seems to be a
7 difference in atmosphere there, but as elected members we are reliant on our
8 officers. We get the reports back at the area committees and as we have said to
9 Continuous Improvement Committee, one of which it is interesting that the
10 performance indicator previously was the percentage of appraisals done this year.
11 We have realised fairly quickly that that means next to nothing because,
12 dependent on some teams who may have seasonal commitments or other things,
13 then there are traditional times of year for doing the appraisals; so what we have
14 done is we have asked for the percentage of appraisals done over the last 12
15 months rather than over a calendar year or a financial year, which should be
16 running fairly near to the 100 per cent and 100 per cent would be the target.

17 So we are keeping an eye on that as elected members from that point of view
18 and instructions will be issued if required, if those figures are seen to be slipping
19 at all then instructions will be issued to ensure that these appraisals are done and,
20 I think more important, probably, that the follow-up work, the support needs or
21 training needs or whatever comes out of them, are actually implemented.

22 MR ROBERTSON: Paragraph 127 of the report expresses concern that the sickness
23 absence rates are higher than the Scottish average. Is there any particular reason
24 for those high absence rates, and again what are you going to do about that?

25 MS DEAN: Can you answer that, Douglas, because I think there have been
26 improvements in the last little while.

27 MR PATERSON: That report in a sense is selective in the sense that it does not
28 cover where we have been with sickness absence rates. If you look at the
29 sickness absence rates over the last five to 10 years we have put a lot of work into
30 it and brought them down really substantially. They are still above the Scottish
31 average and there is no denying that but that kind of masks the effort we have put
32 into bringing down the absence rates and the success we have had in that. My
33 understanding is that they have come down by another ½ per cent in the last year,
34 and that is a fairly substantial improvement. The efforts go on into reducing that.

35
36 I can talk to you about specific initiatives that are happening in terms of

1 absence rates, in terms of early contact with people who are off sick, support for
2 them and so on. That in itself has been quite significant.

3 MR ROBERTSON: The reason I am rehearsing this with you is that paragraph 109
4 of the report indicates that the Council's transformation programme has the
5 potential to provide some coherence for staff but the report also goes on to say
6 that this is critically dependent on the Council being able to secure effective
7 engagement from the staff, and I am just not sure that you are there.

8 MR PATERSON: I think I indicated in the questioning in the morning the extent of
9 what we are doing to turn things around in relation to engaging staff. I would
10 agree with you absolutely, we are not there. What I am seeing is the beginnings
11 of significant improvement in getting there and turning things around from what
12 in the past was a top-down, and we can go into some of the reasons for that
13 approach, to one which is now more able to focus on building back up from front
14 line staff in that way.

15 MR ROBERTSON: OK, thank you.

16 MR STEWART: Can I add to that in terms of transformation and staff involvement.
17 I do not have individual figures of absence within groups but some of the areas
18 where we have made significant progress in the last little while, including the
19 likes of resolving the void housing problem, that has largely been down to front
20 line staff who have bought in to the concept and have actually helped improve the
21 service dramatically.

22 MR ROBERTSON: So these staff own their part in the change process?

23 MR STEWART: Yes.

24 MR ROBERTSON: So that is a communication sector exercise?

25 MR STEWART: Indeed it is, and it is a communication exercise and it is a
26 communication exercise that we are trying to deal with at this moment in time to
27 show folk that they should not be threatened by change and that change is
28 actually beneficial for them as well. I think if you talked to these people who
29 were involved in that process where they are now in terms of their work to where
30 they were then, they would say that they are much happier because they are being
31 able to deliver a better service to the general public.

32 MR ROBERTSON: There is a classic saying in corporate communications that the
33 best way of communicating is to listen to people.

34 MR STEWART: Indeed.

35 MS DEAN: Absolutely, and I think I said that in my introductory remarks, that as the
36 transformation programmes roll out across the Council then each one is the best

1 advert for the next one and hopefully to get the staff to continue with the buy-in
2 that we have seen on that.

3 MR ROBERTSON: Thank you.

4 THE CHAIRMAN: If you infer a degree of scepticism I think it is because we are
5 talking here about winning the hearts and minds and that is always difficult, and
6 it is a fact that until now, until recently at least, that was a battle you were losing.
7 You are now confirming to us that you are now beginning to win that battle, but
8 that is where the scepticism comes. Douglas, you have a question.

9 MR SINCLAIR: This is a follow-up to something that Councillor Dean said. You
10 said that understandably you rely on the officers for information about how
11 staffing matters are going rather than what-have-you.

12 MS DEAN: Yes.

13 MR SINCLAIR: But clearly people in your position of a leadership role, because
14 your attitude towards the staff and the way you treat staff helps define the culture
15 in the organisation. I just want to put a quote to you, albeit it was an anonymous
16 quote from a group of concerned employees who wrote to the Commission, and
17 the quote is: "The work force has been recently blamed for the deficit by the
18 Leader of Aberdeen Council for not embracing Aberdeen's future in single
19 status." How would you react to that statement?

20 MS DEAN: I actually do not think that is an accurate quote at all. I am surprised
21 actually at the credence that has been given to anonymous submissions but
22 obviously that is within your remit, but I certainly do not ---

23 MR SINCLAIR: Maybe it is anonymous because that was the only way they could
24 communicate, to be fair.

25 MS DEAN: I can understand that, but I certainly do not recognise that quote at all. I
26 do not consider that I have blamed the workforce.

27 MR SINCLAIR: Thank you.

28 THE CHAIRMAN: We now move on to something we have referred to several times
29 and said it would come later. This is later: property.

30 MS FAULDS: Thank you, John. I would like to ask some questions about the issues
31 raised in the Controller of Audit's report on property matters. You know that the
32 report had certain findings, one of which was that there were cases where
33 accurate and relevant information was not reported to elected members.
34 Councillor Stewart, could I ask you, following on from that, if you could
35 elaborate on your statement this morning about lies being told to members, but
36 could you respond in such a way that you do not name a name or a grade or

1 anything that would identify people?

2 MR STEWART: Indeed. What I am referring to in particular is the actual scenario
3 that I painted this morning with Councillor Jack Dempsey, a former Tory
4 member who has now gone, who asked a number of questions at full Council
5 round about Carden House. He was given answers which satisfied him
6 eventually but I think it would be fair to say that those answers were not the ones
7 that should have been given.

8 MS FAULDS: Do you think that was a deliberate attempt by an officer to mislead a
9 member or was it a misunderstanding on the part of the officer?

10 MR STEWART: I do not know and I cannot comment on what is in somebody's
11 mind or why they would choose to say one thing or the other.

12 MS FAULDS: So you do not know whether the officer was lying or just
13 misunderstanding the position?

14 MR STEWART: What I would say is that we were lied to. We were given wrong
15 information which in my view is a lie.

16 THE CHAIRMAN: Can I just clarify that. The wrong information could just be a
17 misunderstanding, it would not necessarily be deliberate, would it?

18 MR STEWART: We are going back a number of years now and I painted a picture to
19 external audit round about this where I was asked a number of questions by them
20 as well which I could not give clear answers to because your memory over a
21 period of time tends to fail you somewhat. I remember how strongly Councillor
22 Dempsey put himself across that day and there were various points which stuck
23 in my mind which I gave to external audit. In hindsight you could say that
24 Councillor Dempsey at that point probably highlighted that there was a difficulty
25 but that was assuaged by the answer that he got at that time, or the answers that
26 he got at that time. To expand on that, I would be afraid to do so because it is
27 somewhere in the region of five, six-plus years ago now.

28 MS FAULDS: Thank you. Councillor Dean, are you aware of the legal requirements
29 on a local authority not to dispose of a property for a consideration which is less
30 than the best consideration without obtaining the consent of the Scottish
31 Ministers?

32 MS DEAN: Yes, I am.

33 MS FAULDS: You are aware of that? So in any disposal of a property how do you
34 satisfy yourself that what has been put forward represents the best consideration?

35 MS DEAN: We rely on the professional advice of the service that administered those
36 transactions. The Resources Management Committee in most cases would

1 instruct negotiations, if a property is declared surplus or an interest is expressed
2 in a property and that is declared surplus then we would instruct officers to
3 negotiate the best possible consideration for the Council and to report back.

4 MS FAULDS: And that is the standard answer, Councillor Dean, but this morning
5 you gave evidence to us to the effect that we were not taking into account
6 development value uplift due to planning permission. So were those comments
7 your own or are you just repeating what officers told you?

8 MS DEAN: No, those comments are my own. This morning I spoke to you of two
9 instances in neither of which case I took part in the decision but in both of which
10 cases I was aware of circumstances outwith the standard sale of a property. I
11 have told you that I am aware of the requirement to get the best value. As far as I
12 am concerned as a non property expert and as a non many things expert, which
13 we still have to consider in terms of the Council, I rely on the professional advice
14 of our officers.

15 MS FAULDS: But this morning you said that one of the sites was used as a medical
16 centre, and I took it by that you meant therefore the public sector use was less
17 commercial or less valuable in the market than a private sector use such as
18 housing which was the other example you had given.

19 MS DEAN: Yes, I would assume that is, and again that would come from the
20 professional advice of our officers.

21 MS FAULDS: So if a proposal to dispose of a property, a public asset, to another
22 public body comes would you not expect to see in that report that this may not be
23 the best consideration and would that not be something that you would want to
24 have scrutinised before you authorised a disposal?

25 MS DEAN: Yes, I would were I taking part in that decision.

26 MS FAULDS: And you were not involved in the disposal in this case, the one you
27 referred to this morning?

28 MS DEAN: No, I was not, because of my interest as a member of NHS Grampian's
29 Board.

30 MS FAULDS: Thank you. Mr Edwards, I mentioned this morning that in the written
31 submission to the Council we were told that a far more stringent operational
32 quality assurance arrangement has now been put in place. I want to go through
33 that with you and I do not know which is the easier way, whether you want to just
34 give me an outline of how your processes on disposal of property will be
35 implemented going forward and how they address the deficiencies identified in
36 the report, or would you prefer if I took you through different stages in the

1 disposal of a property to see where the differences may be?

2 MR EDWARDS: If I may introduce it, then, on what procedures have been put in
3 place at the moment.

4 MS FAULDS: Yes.

5 MR EDWARDS: Can I preface my remarks by saying that one of my fundamental
6 standards is that I want full information to be provided to elected members at all
7 times for them to take adequate decisions and fully informed decisions. Those
8 are the standards I work by, those are the standards I expect my staff to work by
9 and those are the standards that I would enforce. Obviously I have inherited the
10 situation here with the former City Development Service, this was before my
11 time. I do not want to talk too much about what happened in the past because
12 obviously that still is part of disciplinary and police investigation. All I can talk
13 about is what I have put in place now since I have inherited the situation.

14 Fundamentally when this problem came to light ---

15 MS FAULDS: Can I just ask you there, when you sat down to put something new in
16 place did you have a check list of what was procedurally wrong and had to be
17 addressed?

18 MR EDWARDS: Yes. At that time what was emerging through the internal audit
19 report, which was not concluded at this time during 2006, were a number of
20 issues they flagged up that were highlighted as being wrong and short of proper
21 professional practice, so emerging through that period were the outcomes of the
22 internal audit report which highlighted a number of weaknesses. That was
23 emerging. I did not want to wait until that internal audit report was concluded
24 before I put an action plan in place; I felt I had to act there and then to protect the
25 Council interests and to ensure that elected members were fully informed.

26 One of the first things I did in 2006 when this became apparent was, I felt I
27 could not put faith in the in-house asset valuation process, so we went out to
28 tender, open competitive tender, with external valuation service. That is a
29 valuation service to deal with valuation of properties in terms of acquisition
30 and/or disposal and also around that quite clearly was full options appraisals
31 around that as well.

32 So that our remit was whenever a property was going to be disposed of or
33 acquired there would be a full options appraisal around potential other uses of the
34 property, what the various values would be depending on the use of the property,
35 development of property etc. That was one of the first things that was put in
36 place in terms of property acquisitions or disposals, externalising that function.

1 Related to that obviously are reports to elected members, information coming
2 back from the external firm of valuers and reports to elected members based on
3 any findings and recommendations, and we have put a far tighter quality
4 assurance process in place now that my Head of Resources Development and
5 Delivery, Colin Hunter, who reports to me, scrutinises in a great deal of detail
6 these reports. One of his fundamental tenets in looking at these reports is, do
7 they reveal all the relevant information, do they look at all options, are they fully
8 explicit in types of information which is contained in those reports, do they
9 provide all the information that is required for the elected members to take
10 decisions. So that is the fundamental principle that we have put in place now.

11 That is at the highest level, if you like, the kind of strategic level. On top of
12 that, we are looking at putting in place a computerised asset management
13 planning system, and again we have gone out to external market to provide that
14 information for us.

15 At the more supervisory, managerial level we have had a fundamental review
16 of file management, all asset files, documents now have been received and are
17 fully documented, all the asset files. We have reviewed all the professional
18 guidance which is there for chartered surveyors; I am not a chartered surveyor so
19 I cannot talk in detail about that guidance but all the professional guidance has
20 been reviewed and all processes and procedures have been reviewed to ensure
21 there is full compliance with those processes and procedures.

22 So it is a mixture of the strategic level and the kind of detailed supervisory
23 level, but all that will obviously be subject to a follow-up audit in due course and
24 obviously myself and Colin Hunter will be held accountable for any issues that
25 arise out of that.

26 MS FAULDS: I understand the principle of all the information going to members but
27 do you now have a policy or a protocol on how the management and
28 administration of a property acquisition or disposal will be dealt with?

29 MR EDWARDS: Yes, we do.

30 MS FAULDS: What sort of considerations do you expect to be taken into account in
31 deciding whether to sell a property? What are these relevant issues that you think
32 members should be aware of?

33 MR EDWARDS: There are lots of issues to be aware of, obviously, and it depends
34 on individual circumstances. It depends first of all who the prospective purchaser
35 is: is there a potential there for selling below what could be deemed to be open
36 market value. If it was a partner organisation, for example, it would have to be

1 before elected members with the options there that they may wish to sell to a
2 partner organisation at what could be deemed to be below full market value. If,
3 for instance, a development proposal for a development of a set of flats was
4 obtained through planning permission they might get a higher value than selling
5 to perhaps a public sector partner for use for a specific purpose or whatever, but
6 that information would need to be before elected members for them to take an
7 appraisal of that situation based on all the options in front of them.

8 It is difficult to be absolutely precise when we are talking about a theoretical
9 property but those are the types of issues that are taken on board.

10 MS FAULDS: But it would be usual, and all the circumstances
11 vary in each case but you would expect a standard check list in any council in
12 Scotland if they were going to dispose of a property, if they are looking at
13 suitable alternatives for the council or ---

14 MR EDWARDS: Yes.

15 MS FAULDS: --- the process it would go through before you would have a
16 declaration by members that a property is surplus to requirements, and part of
17 that would obviously be taking into account planning issues.

18 MR EDWARDS: Yes.

19 MS FAULDS: And I think there have been some comments about, "Oh, but if it had
20 been..., you know"; "It's gone for one use, had it gone for another use...". How
21 do you approach planning risk if you are disposing of a property? Who do you
22 think carries the planning risk and what is the role of the Director of Planning in
23 this?

24 MR EDWARDS: Could I perhaps ask Colin Hunter, who is a bit closer to this, my
25 Head of Resources who is more directly line managed to the asset management
26 team. Can I ask Colin to give you a bit more information on that.

27 THE CHAIRMAN: Could you just for the record let us know who you are and what
28 position you hold, please?

29 MR HUNTER: Thank you, Chairman. I am Colin Hunter, Head of Resources
30 Development Delivery within the Resources Management Corporate
31 Directorship.

32 MS FAULDS: Are you a professional planner, Mr Hunter?

33 MR HUNTER: No, I am not. I am a chartered quantity surveyor, that is my original
34 profession.

35 MS FAULDS: So if there is a proposal that a property has been declared surplus to
36 the operational requirements of the Council what role does the Director of

1 Planning have in providing information to assist members on commercial value?
2 MR HUNTER: If a property has reached the stage where it has been declared surplus
3 to the Council's requirements then the next stage is obviously to look at potential
4 disposal. That disposal takes into cognisance several factors: its location, its
5 planning brief, the option appraisal that is involved, and any expressions of
6 interest that the Council may have received from external parties, whether that is
7 partner organisations or private sector.

8 When a property is taken to the market an option appraisal, and I cannot speak
9 historically because I was appointed in April 2006, is now undertaken with
10 planners to see what could potentially be located on that site; would it be a
11 redevelopment or would it be a demolition and new construction; what are the
12 Local Plan proposals for that area in general terms, because at the moment we do
13 not have a concluded Local Plan.

14 MS FAULDS: You do not have an up to date Local Plan, yes.

15 MR HUNTER: That fairly quickly polarises the thoughts into whether it is housing,
16 commercial or whatever.

17 MS FAULDS: So going forward all, that sort of information would be fed in to a
18 report to members?

19 MR HUNTER: Yes.

20 MS FAULDS: What about legal due diligence, the Council's Solicitor, what role
21 would he have?

22 MR HUNTER: The City Solicitor is consulted where there are disputes or
23 uncertainties over the property for sale: do we have clean title to it, do we have
24 full ownership to it, are there any burdens on it, are there any restraints on it, and
25 the Solicitor is generally consulted in any report as a matter of course, as is the
26 City Chamberlain, before the report goes to committee.

27 MS FAULDS: So that would flush out if you were dealing with common good land
28 or trust property and so on?

29 MR HUNTER: Yes.

30 MS FAULDS: If you are entering into a contract, just going forward, how would an
31 elected member be satisfied that if he was giving approval to enter or bind the
32 Council into a contract, the proper authority was there and it was within the legal
33 powers, you were not missing a requirement to go to the Scottish Ministers or
34 something, that all of the legal boxes had been ticked and all of the necessary
35 authority from the Council was in place?

36 MR HUNTER: The system that we are currently operating is that where a property

1 has been declared surplus we report at that stage to Resources Management
2 Committee and ask for approval to go to the next stage, which is developing a
3 planning brief with a view to taking it to the market. Once we have done that we
4 take back the results of that and advise them on potential offers received,
5 potential restraints that may have been applied by planning and advise the elected
6 members of that. Where we are dealing with a valuation or an offer that in our
7 view is less than market value then that is included within the report.

8 What has happened in the last two years that clearly supports that is that we
9 have, shall we say, not exactly had a harmonious relationship with NHS locally
10 because I personally have intervened and stopped properties being sold where I
11 thought the market could return a higher capital receipt than the one that was
12 proposed. That is fed back to the administration and as a result these sales are
13 currently under discussion.

14 MS FAULDS: And what about scrutiny of these decisions, apart from going into
15 maybe the Property Committee, the committee that would authorise the disposal?

16 Is there another tier of elected members' scrutiny over what is happening?

17 MR HUNTER: Resources Management is the parent committee that all these reports
18 go to. The reports as they are compiled, as my Director has already indicated, are
19 subject to my scrutiny and the only signature that now goes on to these reports is
20 mine. So there is the challenge role in my role as a head of service going into a
21 report to make sure the various stages have been complied with and it is myself
22 that takes that to the Resources Management Committee, prepared to answer any
23 or all questions in terms of scrutiny or challenge that may come.

24 MS FAULDS: What about the relationship with the District Valuer?

25 MR HUNTER: We have used the service of the District Valuer where we have
26 reached an impasse in that our valuation through using our external contractor
27 that we have now engaged, which is a multinational company, to undertake these
28 valuations on our behalf, where that is at odds with the offers we are receiving,
29 and there is a steer from the administration if we were to get that, if it was to be
30 used for community use and therefore sold at a lower value we would robustly
31 check that with the District Valuer. So the District Valuer has a role, as they
32 have had, and without making too much reference to it, into the ongoing
33 investigations which resulted from Carden House.

34 MS FAULDS: And in your new process do you now have a system to monitor the
35 purification of conditions of contracts of sale of properties so that if there were a
36 future benefit accruing to the Council that would be collected?

1 MR HUNTER: Yes.

2 MS FAULDS: That is there and scrutinised. Mr Edwards, the decision to appoint
3 external consultants for valuation, was that subject to an option appraisal? Was
4 that the better way of providing effective valuation advice to the Council?

5 MR EDWARDS: Given the history of what I inherited at that time I felt the most
6 important thing was to get some credibility back into our process and I went to
7 elected members with an option to say we could continue with an in-house
8 service but our in-house team was not up to full staff at that time, it was subject
9 to heavy workloads, and my recommendation, based on consultation with Mr
10 Hunter, was that we should recommend that we go out to the market and see what
11 returns then came in, see what alternatives then came in from the market.

12 So that was my recommendation at that time, but obviously we fully appraised
13 all the tender submissions that came in, it was quite a stringent appraisal process,
14 and based on that we went with our recommendation to elected members that we
15 felt the best practice at that time was to appoint an external contractor. But there
16 was a fully spec'd out tender appraisal process at that time.

17 MS FAULDS: What is the term of the contract with the external consultant?

18 MR EDWARDS: Again Mr Hunter will give you a bit more detail than I have off the
19 top of my head.

20 MR HUNTER: I cannot be specific on that, my recollection is it is a period of three
21 years, but I would like the chance to check that one before I can be more specific.

22 If I can add to what Mr Edwards has said so far, the evaluation process of the
23 contractors who expressed an interest was on a quality price tender submission
24 followed up by presentations and interviews, which allowed us to ascertain
25 resources and the CVs of the various people who would be delivering the service
26 for us.

27 MS FAULDS: Thank you very much.

28 THE CHAIRMAN: Douglas, you have a supplementary?

29 MR SINCLAIR: Mr Edwards, you mentioned 2006 as being the mark in time when
30 these things changed. I am interested to know what happened before 2006
31 because clearly the arrangements were far from fit for purposes, which raises in
32 my mind what were internal audit doing; what was the proper officer of finance
33 doing; what was the monitoring officer doing?

34 MR EDWARDS: We were all, certainly in my role at that time as a finance officer,
35 we were all involved in consultation in our post to dispose of properties or
36 whatever. In all those cases we had to advise on the professional advice of the

1 surveyors etc who were valuing properties that they believed it was in the best
2 interests of the Council. So certainly there was involvement in that report but we
3 had to go on the professional advice that we were given at that time by those
4 suitably qualified officers.

5 There were a number of occasions where we did check out, in fact all the
6 cases where we checked out those reports to make sure that what the officers
7 were recommending disposal of or whatever were coming out with was based on
8 their view to be the best offer for the Council. That was all scrutinised at that
9 time.

10 In terms of internal audit they had a work programme as well to review the
11 work of the Property Section. I cannot recall off the top of my head what that
12 process would have involved but that would have involved checking files etc
13 within the Property Section to make sure they were properly documented and
14 there was proper evidence in place of a valuation. Again internal audit would
15 have struggled the same as anyone else to see whether it was a good valuation or
16 not and again they would have relied on the advice of the professional officers
17 who came up with that valuation.

18 I think the same would be true of external audit as well in terms of their role at
19 the year end. I know for a fact that they would audit some of the property
20 valuation files as part of their external audit process and they restricted their audit
21 process to a review of the files for completeness of documentation, proper
22 valuation in the file etc, and that was properly reflected in the Council's balance
23 sheet.

24 MR SINCLAIR: And there was no sense from that work by anyone that there was
25 anything amiss in the governance arrangements?

26 MR EDWARDS: There was no sense from that work that there was anything remiss.

27 You would have expected that to be flagged up at either internal audit or external
28 audit. I think it is once you go down to the actual internal workings of that
29 particular service at that time that the problems then came to the surface.

30 MR PATERSON: Can I just add, I think that touches on really important issues
31 which I do not think were explicitly raised in any of the internal or external audit
32 reports that we got in terms of areas of action for us. But thinking through these
33 implications in the way that Douglas Sinclair has done, for me as Chief Executive
34 it goes back to your point about what further scrutiny is there. You get to the
35 point of saying this should have been identified as an area of high potential risk
36 in our risk assessments.

1 On the basis that you as Chief Executive cannot check everything (a) because
2 of the quantity of work that is going through the Council and (b) because you do
3 not have the expertise, one of your fallback defences in terms of ensuring that
4 things are done is (a) that they are identified as risks and (b) that either reports of
5 your internal and external audit functions are picking them up. What that has led
6 me to is in the light of just exactly what Douglas Sinclair was saying, reviewing
7 that whole process.

8 What it has done is highlighted the fact that internal and external audit must
9 have identified this area as an area of high risk because they had both checked it,
10 but the checks which they had done had not been sufficient to identify these
11 problems, therefore in a sense it was giving me false confidence that there was no
12 problem.

13 Therefore what further needs to be done to ensure that when these further
14 scrutinies are made of a process like that is that they will actually be robust
15 enough to throw up any major issues and then also to look at, are there other
16 potential high risk areas like that that may not be being identified by the risk
17 assessments, and then examined by internal and/or external audit, and I am
18 currently in conversation with our Internal Audit Manager about seeing what the
19 lessons are from that, if we thought we had robust systems and they actually did
20 not identify it.

21 THE CHAIRMAN: Thank you. I think, Iain, do you want to ask another question?

22 MR ROBERTSON: Yes, just a supplementary for the Chief Executive. I find it very
23 difficult to understand how your management group, these were big ticket sales
24 and surely these were being discussed in the corridors and in your management
25 group meetings and things, you must have known what was going on here, you
26 must have known what they were being sold for. When a big organisation
27 disposes of big ticket items it is kind of part of the talk of the management group,
28 at least probably further down the tree, and these were big sales.

29 MR PATERSON: I was aware of some of them and in some cases I actually went
30 and sought the kind of reassurance from the officers who were dealing with them
31 that you would expect me to do. One of them as I recall was with Carden House
32 and I questioned the officer about the transfer value, about the fact that a private
33 company was acting on behalf of the health service with whom we were dealing
34 in terms of partnership working and filling a gap in terms of medical provision,
35 and was reassured that everything was OK.

36 MR ROBERTSON: Were you not told about the other offers?

1 MR PATERSON: No, I think I was told about the other offers but this was being
2 dealt with in the process that we are talking about through, I forget the actual
3 section, section 75 is it, consents so that we got the proper approvals, and I was
4 informed that that had been done. So I did follow it up.

5 THE CHAIRMAN: Thank you. We now move on to services in the form of housing
6 services. Again, Ann, can you ask the questions, please.

7 MS FAULDS: The Best Value report contains a number of criticisms of the Council's
8 performance in relation to its housing function. Paragraph 207 contains a number
9 of criticisms of performance, such as the percentage of dwellings re-let within
10 four weeks was only 13.4 per cent compared to a Scottish average of 47.7 per
11 cent, and the average time to re-let houses was 102 days compared to a Scottish
12 average of 51 days. I just wondered if you would like to comment on that level
13 of performance, Councillor Dean?

14 MS DEAN: I think that was certainly something that gave us cause for concern and
15 that is why it was looked at. I would not have to hand the figures for now and I
16 would ask if somebody from the Corporate Management Team could help me
17 out, please.

18 THE CHAIRMAN: That would be helpful.

19 MS DEAN: I know that that is one of the areas where there has been massive
20 improvement.

21 MR WHITE: Good afternoon, panel. My name is Alan White, and I am the Head of
22 Service for Sheltered Environment and Neighbourhood Services Central.

23 The question is with regard to voids. I think you have heard earlier from the
24 submissions, we have put a lot of work and effort into improving our voids. I
25 think if I look in general numbers terms round about 2005 we probably had 1500
26 voids at any given point in time out of a housing stock of 23,000. We are now
27 looking at round about 150 voids at any given point in time.

28 I think the figures you are looking at are historic figures for 2006/07. I do not
29 have the exact detail for 2007/08 but I think our void rent loss, we just did a void
30 stat, I am sure it was something like 1.3 per cent was void rent loss, I think it was
31 about that figure, so it would have been nearer 5 or 6 per cent or whatever.

32 MR STEWART: In general terms, and it is very general terms, at one point the loss
33 per year of void housing, rent loss per year, was touching almost £4 million and
34 recent figures are that that is £800,000. This is an area where there has been
35 major, major improvement in the Council in terms of reducing re-let, making sure
36 that folks are moved in much quicker than previously, and also on the rent arrears

1 situation in the Continuous Improvement Committee last week it was reported
2 that we had the best recorded level for donkeys' years, basically. I am sorry I
3 cannot be more correct than saying just donkeys' years, but these are areas that
4 have been tackled. We continuing to see improvement there and hopefully there
5 will be further improvement as we go along.

6 MR WHITE: I think to follow on from Councillor Stewart, the average re-let times,
7 51 days was the Scottish average; I am fairly sure we have got this year 50 per
8 cent of our voids re-let within four weeks, I am fairly sure that is the figure but
9 again we can get the detail to you. We do track it well. In fact our initial
10 challenge was to reduce the numbers.

11 It is a numbers game for a start, you have got 1500 houses out there, reduce
12 the numbers. The second challenge was to reduce the re-lettings and that is what
13 we have done. We were awarded the Abse Award, a UK national award, last
14 year for best efficiency in a UK council, we were awarded that for our voids
15 initiative. It is something that we are particularly proud of and we will continue
16 to improve and use the model that we adapted for the change process for voids
17 through other areas of service.

18 MS FAULDS: From your perspective what was the impetus for pushing forward
19 these improvements? What changed?

20 MR WHITE: There was always an umbrella from the UK, there was always a drive
21 to improve the voids. I think there were historical reasons why voids could not
22 improve and I think it was just the old building services contract allowed them
23 eight weeks to do a void re-let where you had painter work. You can imagine
24 that eight week period, you would never meet the statutory performance indicator
25 for the whole process within four weeks.

26 When the new CMT came into place I think in November 2005 they set down
27 a challenge to reduce the voids by 50 per cent within I think it was a six month
28 period. That was the challenge. They did not tell us how to do it, I can assure
29 you, but what was set up was, there was a voids management team. I was the
30 chair of the voids management team at the time, and the continuous improvement
31 service got involved. We had workshops with staff, very much taking staff on
32 board with us in exactly what the issues were.

33 We had a complicated void path, I think we had something like over 100 steps
34 in the process; we took that down to 18 steps in the process, just simplifying the
35 systems and whatever, listening to staff, a lot of great ideas there, a wee bit of
36 reshuffle with some of the staff as well, some of the staff were not up for the

1 change, some new staff were brought in. It was very much a team effort and we
2 just delivered the change and gave staff confidence on a follow-up kind of basis.

3 MS FAULDS: Thank you very much.

4 THE CHAIRMAN: Thank you. We are almost at the end. We have one or two
5 closing questions on the improvement agenda. Before doing so, however, I think
6 it is important just to draw attention to one thing and that is this. This morning I
7 was handed a note by someone representing the corporate directors and it is a
8 note that expresses some solidarity with Mr Paterson. I think in the interests of
9 equity I should read it. It is a short note but I think I should read it so that it is in
10 the record.

11 "Statement to the Commission from ACC Corporate Directors

12 "While not all our Corporate Management Team have been put forward or
13 called as witnesses today the directors as a group wish the Commission to be
14 aware that we will be here in our entirety in support of our team of witnesses for
15 the duration of the hearing. As a team we are strongly united, committed and
16 determined to deliver the Council's vision. We would like the Commission to be
17 aware that we would all be happy to answer any questions the Commission might
18 have of any of us in that regard during the course of the hearing."

19 That is the end of the statement.

20 Let me then move on finally to the question of the improvement agenda which
21 includes 15 specific points for improvement. Keith Geddes wants to ask a
22 question before we get to the improvement agenda.

23 MR GEDDES: I am sorry, John. Just going back to this morning and the
24 transformation strategies and the way in which you are hoping to achieve the £24
25 million budget reductions in the current financial year, according to Audit
26 Scotland there is emerging evidence that the viability of these transformation
27 strategies may be compromised by over-optimistic assumptions and limited
28 ownership of the change plans amongst those responsible for implementing the
29 change plans. In paragraph 117, which I suppose is the most up to date
30 information that we have got, it states that the February 2008 budget monitoring
31 report indicated that there had been an adverse movement of £3.4 million in the
32 central area as a consequence of savings in many of the demand led services not
33 yet being delivered.

34 My question is this, in two parts. I know we are only six weeks or so into the
35 new financial year. What are the early indications in relation to getting towards
36 the £24 million savings and politically what is plan B if it looks like after three to

1 six months you are way short?

2 MS DEAN: I can certainly begin to answer that from a political perspective and I
3 think you have heard much of that this morning in terms of the work of the
4 Budget Monitoring Board where plan B is already being discussed. I do not
5 know if Councillor Stewart can add anything. Obviously I am not involved
6 directly in the Budget Monitoring Board, it is chaired jointly on a rotating basis
7 between Councillor Stewart as Chair of Resources Management and Councillor
8 John Stewart as Chair of Continuous Improvement because of there being a sort
9 of cross-over in there. But I am aware that there is a plan B in terms of that.

10 MR GEDDES: Can I just stop you there. I do not want to get into plan B because
11 clearly it is being developed at the present point in time, but this morning and just
12 now you have said you are not involved in some of the key decision making
13 processes of the Council and you have got a rotating chair in terms of that last
14 committee. This is only the second time I think that the Accounts Commission
15 has done this since Best Value was instituted and it is quite a serious step for the
16 Council to have to come and answer questions from the Accounts Commission.

17 MS DEAN: I understand that.

18 MR GEDDES: I think there needs to be recognition that there has to be a single point
19 of responsibility for some of the key things that need to be done to get this
20 council back on track and I do not think the Continuous Improvement
21 Committee, which is not chaired by the Leader, is the place to do it. Do you not
22 think there is a need to sort of centralise at least for 12 to 18 months some sort of
23 control mechanism at a political level that will pull everything together that needs
24 to be sorted out and then go back to the committee structure after that?

25 MS DEAN: I think that is a very difficult one to answer. While the Continuous
26 Improvement Committee deals with a lot of the monitoring that is also reported
27 through Policy and Strategy in terms of any changes that we require to make to
28 the committee services. With all due respect, I cannot possibly chair everything,
29 much as it would be marvellous to have that kind of overview, and I rely on my
30 colleagues to ensure that I am aware of what requires to go on and to ensure that I
31 am doing my best to support them in providing what needs to go on.

32 You are right, there is a plan B in terms of budget. The monitoring I am
33 convinced is being robustly done in order to know if or when we require to
34 implement that plan B. But I think also in terms of the transformation strategies
35 there is also a deal of monitoring going on with those to try to ensure that they
36 are coming on stream sooner rather than later to try to ensure that that budget is

1 robust.

2 THE CHAIRMAN: Councillor Stewart.

3 MR STEWART: It may well be that we have to move beyond plan B and look at plan
4 C and plan D if that is what is required to balance this budget at the end of the
5 day. In terms of the Budget Monitoring Board I think its role is immensely
6 important. So far it has met twice. It has already outlined the kind of
7 information that it requires and we will be scrutinising very, very closely and
8 listening to what is going on across the board. I think that is a major step forward
9 and the fact that we are not only looking at this current year's budget but
10 actually planning to work on next year's budget now is also of major importance
11 to this council.

12 DR TIERNEY: I was just looking at our Chief Executive. As Corporate Director
13 responsible for developing the transformation strategies I would like the
14 opportunity to comment on a couple of your questions which I think are at the
15 bottom of it: are they deliverable and do we have the capacity to deliver them. I
16 think firstly just to highlight, they are evolving strategies and they were designed
17 to be evolving strategies.

18 We have delivered the majority of the actions on time track. There were 67
19 actions in the overall strategy and 63 of them are on track. The ones that are not
20 are because we have hit an unforeseen obstacle on the way and we have got
21 processes in place to address that. The very ambitious three year programmes;
22 for the first time during the process we were looking at data, benchmarking
23 information, trends analysis, budget lines that had not been analysed before, so it
24 is an improvement process in itself.

25 The way we actually estimated the budget savings and the time for delivery
26 was actually by looking at case studies from other authorities that had
27 implemented these programmes. They had to be estimates because every authority
28 is different with different systems and different processes, so there have been
29 some examples where some of the budget savings now look as if they were high
30 and therefore we are adjusting them but adjusting the plans accordingly to meet
31 that. And some of the timings have proved to be different and we are adjusting
32 them accordingly.

33 So we have put measures in place to mitigate any risks with the transformation
34 strategies. They are monitored regularly, monthly, at the Citistat, they are
35 monitored through one to ones and they are also monitored through the
36 Continuous Improvement Committee. We have also set up a Project Evaluation

1 Board to monitor the efficacy of particular projects to make sure that they do not
2 just roll on and we see whether they are delivered both in terms of savings and
3 improvement.

4 Where we have noticed that things are not going as well as we would like
5 them to go we have put in additional capacity and we are continuing to put in
6 additional capacity if required. We have tried different approaches, and the most
7 important thing, as I think has been reiterated all along, is we are now in our third
8 phase of the transformation strategies, we are learning all the time and we realise
9 that the key to delivering these is the engagement of front line staff. In the ones
10 that were developed in January we got written feedback from the front line staff
11 that were involved saying how much they got out of it, how much they enjoyed it
12 and how much they felt they were able to contribute, and we are building that
13 constantly into them.

14 I think also in terms of actually delivering on the budgets these transformation
15 strategies are three year plans. They have also been summarised along with
16 budget targets as part of strategic context papers which are now feeding in to the
17 team plans at area level. Those team plans have cash limited budgets so we are
18 saying, "Here is the strategy that we have put in place, here is the budget you've
19 got to deliver on your performance improvement"; the link between strategic
20 planning and budgeting is now also much stronger and that link is there. So over
21 the year that we have done this we feel each time it is improving and that the
22 risks have been addressed and are being addressed.

23 I do not know whether anybody has any follow-up questions.

24 THE CHAIRMAN: Thank you very much, that is very helpful. You might want to
25 just sit there because I am going on to discuss the improvement agenda and of
26 course what you said plays neatly into that. I guess from the Controller of Audit's
27 report one can infer some scepticism about the Council's ability or capability or
28 capacity to achieve the improvement agenda.

29 We have the capacity on the hand, we have got the staff commitment that we
30 keep coming back to time and again, and I guess therefore those uncertainties are
31 possibly compounded by Mr Paterson deciding to withdraw from the Council.

32 There is clearly some uncertainty about the ability of the Council to deliver the
33 improvement agenda. I guess, Councillor Dean, that is a question for you.

34 MS DEAN: I think, yes, if there were no questions about the Council's ability to
35 deliver on this improvement agenda I do not think we would be here, so we have
36 to take that seriously and we have the recommendations there. As we have heard

1 from Dr Tierney we have made significant progress in the last little while. While
2 I will sadly miss Mr Paterson when he chooses to go he is not going immediately;
3 that will be a decision for the Council, there will be a period of notice within that.
4 I also have confidence in the Corporate Management Team that we the Council
5 in general have established here that the direction of travel is very much set and
6 that we will be able to continue.

7 I respect Mr Paterson's decision to look for early retirement at this point
8 because, as he said himself, there is not quite a watershed, I do not think it is
9 quite as dramatic as that, but this is a time in which we will be looking to review
10 what has happened and to take that on, and given the fact that he does not see
11 himself wishing to take that on for the next four or five years then I can
12 understand his decision to leave that to somebody else now. But, as I say, I have
13 every faith in the Corporate Management Team to continue that work.

14 THE CHAIRMAN: Let just check with my colleagues that there are no other
15 questions. No, I think we are all finished. Is there anything else that you would
16 like to add to all that you have told us today before I ask you to step down?

17 MR EDWARDS: There is just one relatively small point that was mentioned this
18 morning about the Council revenue account, whether that was in deficit or
19 whatever; just the clarity the position on the revenue account, it has had a better
20 than budget situation for the last five years. It has built up reserves. Obviously
21 in 2007/08 the Council decided to use some of those reserves as part of the
22 budget strategy, so that really was the reason for the situation in 2007/08. It is
23 still coming out better than budget.

24 THE CHAIRMAN: Thank you very much. Is there anything else?

25 MS DEAN: I think just to thank you for the opportunity. I think we have answered
26 the questions as fully as we can at this time. I would be interested to know in
27 terms of the procedure, obviously you will be hearing from other witnesses,
28 which may raise further questions in your mind. Is it likely that we will be
29 recalled in order to answer those?

30 THE CHAIRMAN: Can I put that back to you, Councillor Dean. If there is anything
31 you hear from other witnesses that you would wish to respond to then in the
32 interests of equity I am very happy that you should come back and speak again.

33 MS DEAN: Thank you.

34 THE CHAIRMAN: In the meantime, can I thank you, Councillor Dean, gentlemen,
35 and others who have contributed to this hearing. It has been a long hearing, there
36 have been a lot of questions, and we are very grateful to you for your help.

1 We now move on and we have two councillors to hear from separately. If you
2 have the order of batting you will see that we have Councillor Alan Milne,
3 Leader of the Conservative Group is the first but for one or two reasons we would
4 like to hear from Councillor Leonard Ironside, Leader of the Labour Group first
5 of all, so would Councillor Ironside please come forward. Just for the record,
6 could I ask you, please, to introduce yourself and your colleague.

7 MR IRONSIDE: Councillor Leonard Ironside, the Leader of the Labour Group on
8 Aberdeen City Council, and my colleague is Barney Crockett.

9 THE CHAIRMAN: Thank you. I believe you have an opening statement.

10
11 Opening statement by Councillor Leonard Ironside,
12 Leader of the Labour Group

13 MR IRONSIDE: The committee structure was streamlined in the year 2000 in order
14 to improve the decision making process. It removed the need for favours being
15 asked around various committees and allowed all the relevant information to be
16 placed before the committees making those decisions, so a proper balanced and
17 informed decision making process would be there. There were links between the
18 conveners of these committees and budgets. The present structure destroys that
19 link. There is a lack of clarity as to who is in control. The public do not know
20 who they are supposed to talk to, the business community are not clear who they
21 should be addressing, and unfortunately even some of the councillors and officers
22 are not clear.

23 The current committee structure in my view is purely driven by resources and
24 the policy items have been reduced to simply a rubber stamping exercise. Instead
25 of policy driving the policy of the Council it is driven through the Resources
26 Committee. This looks purely at finance, so the rationale behind the decisions is
27 not discussed, it is purely the financial aspect of it.

28 Far too many projects which are seen as strategic for the city are embarked
29 upon without consideration beyond the revenue costs and the burden that the city
30 will face in future years. For example Marischal College, originally reported to
31 us as a £45 capital spend, has now increased to £80.4 million with no
32 consideration given to the repayment charges and revenue costs in years to come,
33 in fact a millstone around the neck of our city. I do not have documents for this
34 which I can pass up to you.

35 Regarding the budget process, no impact study was carried out before the
36 introduction of the £27 million cuts in services for the community and the

1 voluntary sector. In fact letters to these communities were issued the week
2 before Christmas telling them that their home care, upon which many of them
3 rely, would be ending. This was long before the budget process was announced.
4 As a former Leader of the Council I had put in place a provision that where the
5 voluntary sector was concerned they should be dealt with on a three year budget
6 at least so that they knew exactly the starting point and they did not have to deal
7 with the budgets annually. Unfortunately that has been removed.

8 In the Leader of the Council's budget speech not a single cut was mentioned;
9 the only reference made was to the value of the voluntary sector. It required
10 consideration of the appendices prepared by officers to discover the real
11 seriousness of the budget cuts and restrictions. In fact in reply to a question from
12 the Council the Leader of the Council claimed that she only knew about the
13 budget cuts at the same time as everyone else, which would have been in January.

14 As opposition councillors, whose role it is to hold the political administration
15 to account, we have great difficulty in obtaining Council papers on time. For
16 example, the schools estates papers when the schools were being moved for
17 closure, were only given to some councillors on the day of the full Council
18 meeting. That was raised and it was not just my group, others groups were
19 involved in that as well, it was raised but nothing was taken forward on that
20 matter.

21 Opposition spokespersons are not briefed in the way they should be, although
22 the Chief Executive, Douglas Paterson, has always made offers to do this. It is
23 proper that the opposition spokespersons should attend the same officers
24 briefings as the political administration because we are all elected to the chamber
25 on the same demographic basis, but this does not happen. Consequently we are
26 forced to submit many questions on balance to the full Council.

27 Members are prevented from raising questions on the Chief Executive's report
28 to Council unless the questions are before officers 10 days prior to the Council
29 meeting. Despite the Chief Executive's paper being prepared and placed before
30 the Council we are still not allowed to debate that report.

31 There is also a prevalence of papers being tabled late. This prevents papers
32 being properly scrutinised by elected members. For the current past year we have
33 had 45 late papers before the Council, 44 late papers to Resources Committee,
34 nine late papers for Policy and 10 late papers to the Continuous Improvement
35 Committee, many of these containing key decisions.

36 There is also a prevalence on this Council of boards being introduced which

1 robs the elected members of participation in decision making. There is a current
2 trend where the members of the political administration resign their positions on
3 outside bodies but the next step is to withdraw funding. This was exactly the
4 case in the Blindcraft workshops for the visually impaired, for Lemon Tree and
5 the Old Bank School for children with behavioural difficulties. It is weak
6 political leadership.

7 In previous years between 2004 and 2007 we have had budget decisions made
8 without papers or without communication about how money was currently being
9 spent. These decisions were made at the June meetings of full Council and
10 usually tacked on to the audited accounts reports. I have Council documents here
11 highlighting that. The only crumb of comfort was that on many of these issues
12 the Planning and Resources Committee had a background paper, but nevertheless
13 the decision to spend that money was made at full Council.

14 There is no evidence to suggest that the spend and save initiatives which we
15 have heard about have produced any spend and save and many of the budget
16 headings, which are under the terms of review of service and have budgeted some
17 figures against them, have never actually been realised. There is no detail in that,
18 it is just a budget heading, "Review of service," with a figure given, and it is very
19 difficult to follow that up and scrutinise that sort of behaviour.

20 Recent inspection reports have highlighted key services for education, social
21 work, housing and property sales. The lack of overall direction, the conflict
22 between the area committees and standing committees, the over-bureaucratic
23 burden on the central services of the Council would suggest that we need to
24 review the current operation for a more accountable system. There is no obvious
25 link between the budgetary process and the spokespersons in their areas of
26 responsibility.

27 Budgetary decisions were made without attempting to assess the impact of
28 these services, and again I see that as weak political leadership. Clear lines of
29 management and political responsibility need to be restored and councillors need
30 to accept responsibility for the monitoring and controlling of budgets following
31 their decisions.

32 The Labour Group would like to see an independent review on the budget
33 from the Commission, a freeze on all new spending until the review is completed
34 and that the government be asked to consider assisting the city with its budget,
35 allowing the conversion of capital into revenue. We would like the current
36 organisational structure to be reviewed and as a Labour Group we are prepared to

1 work with any organisation that looks to re-establish the city's reputation.

2 THE CHAIRMAN: Thank you very much. In a moment I will ask my colleagues to
3 ask any questions. I have just one to start us off. You talk about the gap between
4 aspiration and reality and I guess the obvious question that would come out of
5 that would be how do you think that particular issue should be addressed? What
6 would you do?

7 MR IRONSIDE: One of the links that we do not have now is the link between the
8 budget holder and elected members. Where there was an Education Committee
9 there was a Chair of Education, where there was a Social Work Committee there
10 was a Chair of Social Work. There is no obvious link and in the three
11 neighbourhoods firstly the idea, if it is a reasonable idea, there is no link between
12 the neighbourhoods that the policy is current in all three neighbourhoods. We
13 have heard examples of ideas and issues that are not dealt with in the same way
14 in the three neighbourhoods, so there seems to be a lack of accountability for the
15 service delivery in all of these area committees.

16 THE CHAIRMAN: And how would you resolve that?

17 MR IRONSIDE: I think we would have to immediately review the structure and put
18 in place an accountable set-up which actually allows the conveners or
19 spokespersons in these areas of responsibility to have input to budgets in a way
20 that we do not seem to have at this moment in time.

21 THE CHAIRMAN: That general aspect may be pursued by some of my colleagues. I
22 will ask my colleagues now to ask any questions they have.

23 MR SINCLAIR: There are a few points I would like to pick up in your submission.
24 On page 2 you make reference to: "The culture of non-compliance identified
25 among staff appears to be based on a genuine concern, particularly by senior
26 staff, that the structures being implemented are not the most appropriate to the
27 task". Can you expand on that, please?

28 MR IRONSIDE: I think from talking to some of the staff, some of them are of the
29 view that the job they are doing now is not the job that they took on in the first
30 place. We have people dealing with roads issues who were not employed
31 originally under a roads connection. We have no real educationalists dealing
32 with education on some of our area committees. That leads to confusion for
33 members of staff, and also in terms of feeding back the information required from
34 some of the questions that were put.

35 MR SINCLAIR: Just to tease that out, does that mean that the culture of non-
36 compliance is in a sense a culture of, "We don't understand, we don't agree"?

1 MR IRONSIDE: I think there is an element of that. It is not always clear who is in
2 charge of the service, who is in control of the service, who is running the service
3 and who they should be applying to. That comes back again to when you want to
4 put a question to someone it is not always obvious who you should put it to, so it
5 is just put to the neighbourhood directors.

6 MR SINCLAIR: You also in your submission make the point:

7 "There is a case for reviewing the basis on which the formula on which local
8 authorities are funded by the Scottish Government. However, there is no
9 guarantee that Aberdeen would automatically benefit and ... always a possibility
10 that it could lose funding". I can recollect at the time of reorganisation the
11 neighbouring authority, Aberdeenshire, complained bitterly that they had lost out
12 to the city by a substantial amount of money with disaggregation, despite the
13 point that the grant distribution was a zero sum game. On the other hand, your
14 council tax levels are one of the highest in Scotland and your spending per head
15 is one of the highest in Scotland. Does the opposite have the view that the
16 administration has not reduced its expenditure per head in line with its declining
17 population over time?

18 MR IRONSIDE: I think that is the view that I would put forward, not to reduce the
19 expenditure in accordance with the declining population. Also there was a lot of
20 it taken out of social work services and put into roads. I think it does come down
21 to local priorities and where the money has been spent, but I think whilst there is
22 a case for having the formal review for Aberdeen city, as you correctly point out
23 in a city that has virtually zero unemployment and is a very wealthy city it would
24 be difficult to make cases in terms of other areas where we have got higher levels
25 of recreation to actually benefit more from this. So it is hard to see how we are
26 going to do that.

27 MR SINCLAIR: A final question which I want to ask is this. Given the Council's
28 financial position, which you have described as precarious, would you agree that
29 a reasonable man or woman walking down Union Street would have difficulty in
30 arriving at a judgment whether the Council's leadership was not as effective as it
31 might be and there is uncertainty on ...

32 MR IRONSIDE: I think two and a half thousand people marching down the street in
33 Aberdeen did say exactly that. We are now at the stage where people have
34 stopped believing what comes out of the City Council and that is not good for the
35 City Council or for the reputation of Aberdeen, but it does seem to be a culture
36 that there is no-one listening to what people are saying and if you only hear

1 yourselves then you do not get feedback from anyone else, and I think that is
2 what is happening here.

3 MR SINCLAIR: My final question is this. You mentioned again that you are
4 working as a group to help rebuild the city's reputation and to ensure that you
5 have an agenda in common. Have you any practical ways as to how that might
6 be done?

7 MR IRONSIDE: Well, before it could be done I would need to be included and given
8 the information from the administration in order to enable me to do that.
9 Certainly if we look at the structures, these structures are not working, clearly not
10 working, and if something is not working you need to tackle it. We have had
11 various statements given on how it could be improved and how it is working and
12 how it will come to fruition, but there are no guarantees on this and as elected
13 members we do not see those improvements coming through. We are still facing
14 some of the issues that we were facing before.

15 THE CHAIRMAN: Thank you very much. Just to pursue that a little more, are you
16 saying that the evidence on the transformation process that we heard this morning
17 is not as positive as was made out?

18 MR IRONSIDE: Yes, I would say that it is not clear, for example in area committees.
19 We had a school in the north of Aberdeen city which had some serious issues.
20 That never was reported to me in a committee, the very committee that deals with
21 that never got a report on it, it was passed somewhere else. That is the sort of
22 issue that you would expect the local members in area committees to be dealing
23 with and looking at but they did not seem to see that. Similarly, education having
24 been almost tacked on to policy is not giving value for money given the spend
25 that education has in the authority.

26 THE CHAIRMAN: Thank you very much. Iain.

27 MR ROBERTSON: Councillor Ironside, you say in your submission that the Council
28 is now suffering from bureaucratic overload with too many corporate managers
29 and too many plans giving rise to a lack of clarity about strategic and area based
30 accountability. You also say that the current organisational chaos must be
31 reviewed as a matter of urgency with a return to a conventionally departmentally
32 based management structure with clear lines and responsibilities restored. In
33 view of all these incoming bureaucrats that you are saying permeate the
34 management are there sufficient resources there to go back to a departmentally
35 based structure? Have you got the people, do you think?

36 MR IRONSIDE: I think you have got the people. You could never go back to

1 exactly what happened before because times move on and people move on and
2 issues move on, and I think we are all struggling to deal with this concept of
3 trying to deal with everything in one committee in terms of children, in terms of
4 social care, in terms of education, in terms of community base and so on. But I
5 do think it is possible to have a lighter structure because the structure we had was
6 far too heavy, we could have a lighter structure where we have accountable heads
7 of service as well as accountable politicians who keep an eye on what is
8 happening.

9 MR ROBERTSON: So not all of the restructuring was wrong, some of the thinking
10 was good and that could be used? You would not throw the baby out with the
11 bath water?

12 MR IRONSIDE: Absolutely not. The gap was in relation to the strategic and the
13 delivery and that is where the gap needs to be addressed. I think we can do that.

14 MR ROBERTSON: Thank you.

15 THE CHAIRMAN: Thank you, Iain. Keith.

16 MR GEDDES: You make the comment, Councillor Ironside, that the Continuous
17 Improvement Committee has failed to establish itself. What would you suggest
18 to increase the importance of the Continuous Improvement Committee and how
19 should it go about establishing itself?

20 MR IRONSIDE: First of all the Continuous Improvement Committee I believe
21 should not just be a tacked on committee, I think it needs to be a committee that
22 operates almost outside the Council's structures. What we have got is simply a
23 committee like any other committee that has got a political imbalance and an
24 inbuilt majority for the administration. There is not really a scrutiny element in
25 that respect. There is an inbuilt majority if you do not like what is going on.
26 That should be the way that I think a scrutiny committee should deal with it.
27 There is no scrutiny convener at the moment, it rotates, and you would want
28 some person to take control of that and say, "This is my committee, I'm going to
29 take it forward". I think that is the element that is missing. Originally when we
30 talked about standards and scrutinies and committees like that, the idea was to
31 have been to interrogate the conveners of committees in the way they do
32 business, to make them accountable for the decisions they had made, "Why has
33 this happened and why has this not happened? Why did you do it this way?" and
34 conveners and officers would be interrogated to make sure their decisions were
35 robust. But you can only do that if it is not a political committee, if it is a
36 committee where the membership is equal, and that is why it should be taken

1 away from the Council.

2 MR GEDDES: Can I just say, on education, Aberdeen like Edinburgh is a wealthy
3 city and it has a thriving private sector for parents who wish to send their children
4 there. I suppose some parents when looking at choices between the state sector
5 and the private sector look at the structure of the Council and see who is in
6 charge of education. My view would be, not just in Aberdeen but elsewhere,
7 there has been a diminution of the professional leadership in education and it
8 might just encourage some parents to send their children elsewhere. The
9 consequence of that of course is that you lose revenue support grant for every
10 child that goes to the private sector. Can you just say a word or two about
11 education and what you would do to give education a more central role?

12 MR IRONSIDE: Because of the importance of education, and education not just
13 limited to schools but beyond that, the whole area of education, the whole thrust
14 of education, I think it does need some kind of separate response for councils, a
15 separate arm that can be dealt with. I do not think it has been given the
16 credibility that it requires and needs. I do not believe that we actually discuss
17 educational issues on the Education Sub-Committee for policy. I think that is
18 where we are missing out on a lot of those issues.

19 I will give you an example of the area committee where the Northfields
20 School Academy had serious issues and it was not discussed at the North Area
21 Committee, it was referred back somewhere else to be dealt with. These are
22 serious issues because we need to get a handle on education. We have had, I
23 cannot remember how many head teachers it was but they got together and there
24 was a vote of no confidence in the authority's ability to deliver on education.
25 That is a serious thing to throw at a local authority and in my view it is saying
26 from these professionals, "You are not listening to our professional view, you are
27 not taking into consideration our professional view". I think that is where a lot of
28 these issues fall down.

29 There seems to be an idea that if you produce a brand new building you have
30 suddenly got wonderful education and of course it is a lot more than that. The
31 people of Aberdeen have been saying loud and long that it is not being listened
32 to. For people who have to send their children to schools for behavioural
33 difficulties or other special needs, we have two facilities in Aberdeen, we have
34 Old Bank School and we have Camphill; both of them are complaining about the
35 lack of pupils being referred to them by Aberdeen City Council. So there do
36 seem to be issues there that people are not sitting round the table and resolving.

1 MR GEDDES: You said that you felt that when the Council did issue documents
2 from the Chief Executive the opposition should be included as well. When you
3 were Council Leader did you include the opposition?

4 MR IRONSIDE: When I was Council Leader there was not proportional
5 representation. We are in a different game now, and the game is that everybody
6 should be working together. If we are given that opportunity we would welcome
7 it. But I would have to say to you in terms of the budget we not only included the
8 opposition in our budget deliberations but we took the budget round the
9 communities, various community groups, and explained the budget to them as
10 well to let them have a look at it. That does not happen any more.

11 MR GEDDES: In terms of taking the improvement agenda forward the important
12 thing for Aberdeen is that accountability of local government is restored. What
13 would your view be to play your part in taking things forward?

14 MR IRONSIDE: I think I would want to have some sort of role within how the
15 decisions are arrived at by the administration. I am not looking for a
16 convenership or anything like that but I would like to be involved in that. There
17 is a lot of experience in the Council that is never listened to and never used.
18 Some of us have been there, some of us have seen it and learned the lessons but
19 that has not been taken into consideration.

20 It is interesting that when we had all the budget cuts all the groups that were
21 affected had various solutions to those issues. They might not have been the
22 whole solution but they did produce some form of solutions that could have been
23 worked on. These have just been bypassed and ignored with the result that
24 people in the city feel that the Council does not listen to anything they say. And
25 of course listening to people is one thing, active listening is another thing, you
26 have to be an active listener, to get involved. That is just not happening at the
27 moment, and I would like to see a bit more of that restored to the City Council.

28 MR GEDDES: Finally, John, just going back to the question of scrutiny, you have
29 indicated that over the last year a large number of papers have not arrived in time
30 to allow members to give them sufficient scrutiny prior to taking a decision based
31 on information. The second thing I wanted to add on to that was, over the years
32 do you think there has been a culture within aspects of the official administration
33 to minimise accurate or full information given to the Council?

34 MR IRONSIDE: I think there is a great deal of pressure, I would say there is a great
35 deal of pressure on officers to produce reports, and one of the feelings of most
36 councillors is they always call for further reports which causes a greater

1 workload. But in terms of the political administration, if they were tighter in the
2 way they approached things then there would not be a need for all those reports.
3 For example, we had a school closure programme before us at a special full
4 Council meeting. No ongoing details were present there, we had to convene an
5 urgent business meeting to deal with the ongoing effects of that. That was called
6 at three days' notice and it means that all members of the Council do not have
7 sight of that, only a handful of people. That meant it was just passed through,
8 and it was exactly the same when we had the equal pay discussions, the papers
9 were held back until the morning of the meeting. That was on equal pay and it
10 was kept back, I think it was a £10 million spend and we did not get those papers
11 until the morning of the Council, and that is just unacceptable.

12 THE CHAIRMAN: Thank you. Ann.

13 MS FAULDS: Councillor Ironside, do you think that the Council's capital projects
14 should be put on hold until there has been a root and branch assessment of the
15 financial implications? Can you tell us a bit more about that, please.

16 MR IRONSIDE: There are some aspirations in the city for things like a 50 metre
17 pool, for Marischal College, for sports facilities, there is a whole lot of
18 aspirational projects which have their place in Aberdeen and should be looked at.
19 What we are not getting is the beyond cost, the revenue cost that will flow from
20 that, the repayment cost to get involved in that. Obviously we start from the
21 point of view that, "It's a good project to have, let's have it," but it has never been
22 properly thought out, and this is back to the trouble we had then.

23 Marischal College is a good example because that is going to be a millstone
24 round the neck of people in Aberdeen for many years to come and I am not sure it
25 is the best solution. We hear of BP for example building a brand new building
26 for £39 million yet we are going to be caught for this £84 million spend with
27 revenue costs on top of that. I am not sure if that is consistent with what we are
28 doing. I think it would be better to hold some capital projects until we know
29 exactly where we are going on the annual budget.

30 MS FAULDS: You do not think there is certainty about the revenue implications of
31 these projects, is that it?

32 MR IRONSIDE: Not given the budgets that we have just come through. If this is
33 truncated next year's budget will be even tougher. There has got to be some point
34 where we say, "What are our priorities and where are we going with these
35 budgets?" and we have to learn to manage within those budgets. There was
36 something like a £45 million overspend in the last four years, possibly more than

1 that. That is the kind of thing that we cannot afford to do.

2 MS FAULDS: It sounds like you think the Council starts with the answer and works
3 back to the question, "We will have a pool," as opposed to, "Do we have a need
4 for leisure facilities?" and coming up with the answer, "We need a pool". Is that
5 what you are saying?

6 MR IRONSIDE: I think that is right and I think the report actually justifies that or
7 suggests that is the way to go. It is not that it is a bad idea, it is that it is not
8 properly thought through and it is patchy, so you do not get the overall picture.
9 We have just approved a plan where we are building 72,000 new homes in
10 Aberdeen and Aberdeenshire in the next 20 years. We are planning for new
11 people to come to the city yet we are closing schools and reducing services for
12 children and for vulnerable people. That is going to be putting people off coming
13 to Aberdeen, and I think we have not thought of the big picture when we are
14 dealing with these issues.

15 MS FAULDS: Thank you.

16 THE CHAIRMAN: Councillor Ironside, I have one more, less of a leading question
17 to ask you. Is there anything else you would like to add to your presentation and
18 points?

19 MR IRONSIDE: No, I would just reiterate the submission that I gave say once again
20 I am prepared to work with anybody who has the best interests of Aberdeen city
21 at heart because that is really the way forward.

22 THE CHAIRMAN: Thank you very much. Your colleague wants to say something.

23 MR CROCKET: Thank you, Chairman. If I could just add one tiny comment in
24 response to Mr Geddes, who quite rightly asked the question whether or not Mr
25 Ironside had invited the opposition to run scrutiny in his case. I happen to know
26 that Mr Ironside would favour such a thing if it was a minority. I know it was a
27 clamorous demand from the present political parties in the administration to have
28 such and they were certainly hoping that, but that is by the bye. The main point I
29 would make is that so difficult is the present situation of the incumbent council
30 that an offer to help even in something like scrutiny is in itself magnanimous
31 because it would be more politically profitable just to throw things back. So it is
32 a serious issue, I think.

33 THE CHAIRMAN: Gentlemen, thank you very much indeed.
34 Can I ask Councillor Milne to come forward, please. Welcome, sir. Could I
35 ask you please to identify yourself for the record.

36 MR MILNE: Councillor Alan Milne, Leader of the Conservative Group.

1 THE CHAIRMAN: I believe you have a statement you wish to make?

2 MR MILNE: Yes, please.

3

4 Opening statement by Councillor Alan Milne, Leader of the Conservative Group

5

6 MR MILNE: Can I give a brief history about my position. I was on the Council from
7 1999 to 2003 and then had a gap, I was not re-elected, and then came back again
8 one year ago, so I am relatively inexperienced as far as the Council goes but I
9 have some.

10 Our Council Conservative Leader, John Porter, unfortunately died about two
11 months after the election last year so I ended up being elected as Group Leader.
12 It is a group of four, one of whom has been on the Council for a long time; the
13 other three of us are learning the ropes as we go along.

14 From my experience back in 1999 we were informed then that the single status
15 agreements were going to be negotiated. The social work budget was overspent,
16 we had a talk from Professor Midwinter about this, but no action seemed to be
17 taken. The only action that started off was the reorganisation of the Council and
18 its officers.

19 When re-elected last May I was speaking with the Leader at the time and he
20 was part of the coalition with the Liberal Group in the previous four years, and he
21 assured me that he was quite supportive of the reorganisation which took off in
22 that spell between 2003 and 2006, so I must take vicarious responsibility for the
23 reorganisation that he supported.

24 The one thing that we did find in my first spell was that we had the impression
25 that the Labour Group running the Council, the Labour administration, really said
26 yes all the time to the Council officers. John Porter told me when we came in
27 next time the councillors took over and ran the officers. So I can only speak from
28 a historical context about that and the officers may know there was a change.

29 In the case of improvement you have put out three topics you wanted to
30 mention. The change of vision of the Council is profound and will not happen
31 overnight. Like any business it takes time to get your staff and the public and the
32 press on your side, otherwise you will never win the arguments. The capacity to
33 secure change for the Council, even in these last few months that I have been
34 here, we find that the trade unions seem to have a stranglehold on the work force
35 and it is very difficult to implement some changes that you think are of benefit
36 without the trade unions voting them off.

1 On the budgets of course I was landed with producing an opposition budget
2 last February and it was not until two weeks before budget day that I had the
3 figures presented to me of what dire straits the Council was in. I was also
4 presented with suggestions from officers on how to make savings on this £27
5 million and they were frightened to see the selection of closures that could be
6 implemented such that we pulled out, the Conservative Group pulled back from
7 that and thought, "What else can we do?" We did make alternative suggestions
8 on budget day but we could not have done it on the day, it needed a month or two
9 months to implement our ideas. If you want me to expand on that I am quite
10 happy to do so. But we certainly voted against the drastic cuts that were made
11 and we will plan in the next year to try to find alternative ways of saving this
12 cash.

13 That is all I have to say. I will be happy to answer questions if I have the
14 knowledge.

15 THE CHAIRMAN: Thank you very much. Can I start by asking you to comment on
16 what your Labour Council colleagues have just been talking about in terms of the
17 difference between aspiration and reality. What is your view on that? You have
18 referred to the vision being profound. Is this just an interim stage we have just
19 now? What is your view?

20 MR MILNE: I hope it is interim. I really cannot forecast what is going to happen in
21 the next six months. I have been involved in some of the transformation strategy
22 groups and it all looks very reassuring, yet we have not had the savings brought
23 forward. The ideas are there but until we know what the savings are it is very
24 difficult to pass a judgment.

25 THE CHAIRMAN: All right. Let me put it slightly differently. Suppose you were
26 Leader of the Council what would you do right now?

27 MR MILNE: Resign, sir.

28 THE CHAIRMAN: I was thinking of the Council with a Conservative hat.

29 MR MILNE: I would have to find a way of getting many more Conservative
30 councillors in my group. If I suddenly became Council Leader for the
31 Conservatives with four councillors I would be in difficulty. I think I would have
32 to try to get a vote of no confidence in the current leadership and force further
33 elections.

34 THE CHAIRMAN: I think what I am pushing for is this; if you were there instead of
35 the current regime charged with responsibility for Aberdeen City Council and
36 given the circumstances that we see today what would you do?

1 MR MILNE: I have not thought about it, sir, but give me a moment.

2 THE CHAIRMAN: All right, we will come back to that later. The other thing I
3 wanted to ask you about was something you mentioned as well, whether you
4 wanted to expand on the alternative to the drastic cuts.

5 MR MILNE: What we did was, we were given the figures by the City Chamberlain
6 of the various basic expenses. Salaries were very high, £240 million, and there
7 was another lot called agencies which were £150 million, and while with some of
8 the agencies we could not cut their budgets quite a number of them we thought
9 we could. If we cut the agencies' budgets by 12 per cent we could save I think it
10 was £16.8 million, so that would be a start.

11 THE CHAIRMAN: Is that £16.8 million per year?

12 MR MILNE: Yes. And we did not actually say on the day but we would add that we
13 would not take off the fire service and the police service, the joint boards. We
14 also would like to see what we call zero based budgeting. Instead of a
15 department saying, "We spent £20 million last year, we need an upgrade of,"
16 whatever inflation is, you start at zero and work out what your budget is. We
17 were to look at the joint procurement for Aberdeenshire and some of that has
18 taken place already but we would like to increase the number of joint
19 procurement ideas going forward.

20 THE CHAIRMAN: What specifically did you have in mind?

21 MR MILNE: The ones that are on the go are transport, vehicles, and I will look to
22 anybody behind me to tell me the other two that are on the go just now. I think
23 there are three.

24 MR STEWART: There are more than two, Alan, including IT.
25 Everything is ---

26 THE CHAIRMAN: Could we hear from you tomorrow rather than today. Thank
27 you.

28 MR MILNE: Yes, IT was one, certainly.

29 THE CHAIRMAN: And did you have a kind of figure for that?

30 MR MILNE: Yes. We were also going to abandon some EPN single status
31 negotiations which would probably save another £10 million.

32 THE CHAIRMAN: When you say abandon - ?

33 MR MILNE: Well, they are so far down the road just now and they are still
34 negotiating but our view is that if we were not to go any further down anybody
35 who wants to sue the Council or take action, it could be cheaper than the further
36 £10 million we are spending.

1 THE CHAIRMAN: You say "could". Is that something that has been costed?
2 MR MILNE: Yes, by one of my colleagues.
3 THE CHAIRMAN: Thank you. Let me ask my colleagues. Douglas.
4 MR SINCLAIR: Can I just ask this. You mentioned that the late Leader of your
5 group, John Porter, if I recollect what you said correctly his perception was that
6 the whole focus had been on the organisation but that was an identified problem
7 in terms of social work overspend and no action had been taken on it.
8 MR MILNE: Well, the problem is, this was eight years ago.
9 MR SINCLAIR: Yes.
10 MR MILNE: There was an overspend then, as far as I remember, of about £20
11 million, and that had been carried forward over a number of years. The social
12 work budget is difficult to predict because with the number of old people, as you
13 know, it is a demand led service; it could be £20 million there and next week it
14 could be another £1 million. It is a very difficult one to predict.
15 MR SINCLAIR: Is your sense of the Council that in a sense the bulk of the energy of
16 the Council has gone into agenda reorganisation and structural reform rather than
17 necessarily focusing on the core services?
18 MR MILNE: No, I would not say that was true. I think there has been a focus on
19 core services.
20 MR SINCLAIR: Despite the HMIe Scotland report?
21 MR MILNE: The HMI report on - ?
22 MR SINCLAIR: Education.
23 MR MILNE: Yes, lack of communication on leadership would be a bad mark, on the
24 performance of children I think it is very high staffing; yes, the leadership
25 problems were condemned.
26 MR SINCLAIR: And your point about the culture reorganisation and this perception
27 that the Labour Group always said yes to the officers, what is your perception of
28 the Council on this?
29 MR MILNE; I think it certainly happened in the last four years, the current
30 administration has really said what it wanted and tasked the officers to take it
31 forward. Yes, there will be blanks in it. We are a democratic group and we can
32 have an argument about whether we should have a Director of Education and so
33 forth but it is a miss when you are not quite sure who to go to. We are split on
34 that in the group; you may look for unity in a group but we are so small we just
35 have differing opinions.
36 MR SINCLAIR: There is no such thing as unity in a political group! Thank you for

1 that.

2 THE CHAIRMAN: Keith.

3 MR GEDDES: Just in relation to the comments you made about co-operation
4 between Aberdeenshire and Aberdeen city, it is a natural unit. In fact it seems a
5 pity that there are two authorities for what is effectively one unit in terms of
6 work, leisure etc. Would you go as far as having one education service for
7 Aberdeenshire and Aberdeen or one social work service? How far would you go
8 to make savings by removing duplication?

9 MR MILNE: I do not think it would go down very well to have a unified education
10 service for the shire and Aberdeen. We are all very protective of our own areas
11 and the shire is a very widespread square mileage with a lot of smaller schools. If
12 you applied the same criteria to schools there as you do the city it would not work
13 because of the remoteness of some of the county schools.

14 MR GEDDES: But you do think there is greater room for co-operation between the
15 two authorities?

16 MR MILNE: Yes, I do.

17 THE CHAIRMAN: I think that is all just now, Councillor Milne. Just let me stress
18 that Keith Geddes's views are of course his own personal views rather than those
19 of the Accounts Commission.

20 MR GEDDES: It is so long since I questioned a Conservative!

21 THE CHAIRMAN: Councillor Milne, is there anything else you wish to add?

22 MR MILNE: I do not think so. I will have to think. You asked me if I was the
23 Council Leader what would I do.

24 THE CHAIRMAN: You can come back to that. You did not want to anyway.

25 MR MILNE: I have not got round to thinking about it. I would need to think some
26 more.

27 THE CHAIRMAN: Thank you very much.

28 Ladies and gentlemen, we come to the next witness, who is our last witness
29 today, and that is Karen Donnelly of Unison. Could I ask Ms Donnelly and her
30 colleague to come forward. Would you please introduce yourselves for the
31 record.

32 MS DONNELLY: My name is Karen Donnelly and I am one of the joint branch
33 secretaries of Aberdeen City Unison branch. My colleague is Fiona Smith, who
34 is the branch communication officer.

35 THE CHAIRMAN: Thank you. Do you have an opening statement you wish to give
36 us?

1 MS DONNELLY: Yes, I do, thank you.

2
3 Opening statement by Karen Donnelly, Unison
4

5 MS DONNELLY: As I stated in my introduction, I am one of the two joint branch
6 secretaries in Aberdeen City Unison. Unison is currently the largest trade union
7 operating within Aberdeen City Council and we represent members from all
8 sectors, services and occupational groups of the Council. Our members work in
9 the front line, they work in the back office and across all the Council structures.

10 Unison is a lay led trade union. It is our members and not Unison's employees
11 and officials who determine our policy and our procedures. We represent Unison
12 members in negotiations with their employers and at disciplinaries and such-like.

13 I am an employee of the Council, Fiona is an employee of the Council, and we
14 combine that role with our trade union activity.

15 I would like to start with some of the issues that have been raised today
16 around the property report. It is basically Unison's position that it is really
17 inappropriate for the contents of this report to be discussed in a public forum at
18 this time. As the Chairman rightly pointed out this morning, there are current
19 processes ongoing both internal disciplinary procedures and external criminal
20 investigations. We recognise the public interest. However, this must be balanced
21 against the rights of individual employees to fair treatment within any of these
22 processes. Unison was concerned at the publication of the report prior to
23 completion of these processes and we believe that the wrong decision was made
24 in terms of publication at this time.

25 We cannot comment on the impact of publication on the criminal investigation
26 but I think we can comment on the potential impact on employment matters.
27 Unison is gravely concerned at the discussion of the report today in a public
28 forum and in front of members of the Council's Appeals Committee when the
29 internal disciplinary processes have not yet been completed, and I think that is
30 really all I would want to say on the matter.

31 Earlier in the hearing there was reference made to possible suggestions that
32 officers of the Council perhaps do not co-operate with members of opposition
33 parties to the same extent as they do with administration parties. Again this is not
34 something that Unison is prepared to accept on behalf of its members. Whilst it
35 would not be appropriate for me to name and identify officers at this time it is our
36 experience that there is a growing concern being expressed to us by sour

1 members that in fact the opposite is true and that there are some elected members
2 who, whether inadvertently or deliberately, seek to draw officers into
3 commenting on matters which are essentially political in nature. Where officers
4 rightly do not comment there are then suggestions of political bias.

5 You may then ask what we have done in terms of representing these people
6 and in terms of challenging this. We gather and continue to gather examples of
7 this. However, understandably the officers in question are somewhat nervous of
8 us progressing with this on a formal basis. First and foremost our role is that of
9 protecting our members' jobs and conditions of service and I think we need to
10 look at the single biggest assault on that at the moment which is job evaluation,
11 the single status.

12 The single status agreement was reached in 1999 between the three trade
13 unions and COSLA. In Aberdeen city job evaluation outcomes were issued to
14 staff in August 2005. For many those results represented equality of treatment
15 and equal pay for the first time. For others those results were personally
16 devastating with the prospect of significant wage cuts. At that point, prior to the
17 issue of those results there was a lack of what I would call meaningful
18 engagement with the trade unions; although there were discussions we were not
19 given access to information and outcomes.

20 Ultimately the Council withdrew those results and embarked upon, I think, a
21 more constructive dialogue. This included full access to information as it became
22 available throughout the job evaluation process. Further results were issued to
23 Aberdeen City Council staff in January of this year. Whilst some of those results
24 were not as extreme as those in 2005 Unison remains unhappy at the financial
25 impact on a number of its members. Without a doubt the single biggest challenge
26 in terms of implementing job evaluation and equal pay is the lack of proper
27 funding.

28 This matter was raised by Unison and indeed the Council during the Scottish
29 Parliament's Finance Committee Inquiry into the implementation of single status.

30 The cost of job evaluation and single status is absolutely phenomenal in terms of
31 implementing new pay grading structures and meeting equal pay liabilities.
32 Equal pay is a legal obligation which the Council cannot ignore and which the
33 trade unions within this city will not allow it to ignore. Disappointingly, no
34 additional funds were made available to Council's Finance Committee despite the
35 position being identified by that committee as the greatest civilising force in the
36 history of local government finance.

1 I turn now to the comments regarding a culture of non-compliance. I think it
2 is fair to say that Unison do not accept that there is a Council wide culture of
3 non-compliance. Where there has been or has been alleged out and out non-
4 compliance or defiance then the Council has disciplinary processes to deal with
5 this and we like other trade unions have represented members through those
6 processes. But we do not actually accept that there is an issue of non-compliance
7 nor indeed defiance.

8 There is confusion around structures and I think it has taken staff time to get
9 their heads round where their place is in the organisation under these new
10 structures. Part of that is communication. I think part of it is also the change
11 process itself. We have been invited to comment at various stages in the change
12 process and in each of those we have indicated that we felt the restructuring
13 should have taken place from the front backwards rather than from the top down.

14 There have been many changes over the last few years and there is an element
15 I think of change fatigue amongst the staff. There are workload issues which
16 have been touched upon here today that have been caused by a number of
17 reasons, and again Unison have been pursuing this for a number of years with the
18 Council. I think we are now engaged in a pattern of discussions where we are
19 looking at the workload, we are looking at the transformation programmes, we
20 are looking at how we move forward, and we are looking at what the trade
21 union's role is in assisting or in representing staff through the transformation
22 process so that they understand their role in that process and the outcomes of it.

23 I think it is fair to say that staff have been demoralised for some years now.
24 Significant changes create uncertainty and there have been a number of changes
25 here. I think the decrease in budgets exacerbate that uncertainty to the point of
26 fear, but Unison truly believes that the single biggest impact on morale in
27 Aberdeen City Council is job evaluation and single status which is in common
28 with most local authorities in Scotland.

29 As I mentioned earlier, our members received letters in 2005, many of them
30 indicating a wage cut. These were hard working, committed Council officers
31 who viewed this rightly or wrongly as a slap in the face or a statement that they
32 somehow were not worth their wages. To be honest, there is no point in telling
33 people that job evaluation is not personal because your wages, your terms and
34 conditions, your title and your job are intensely personal. I think everyone in this
35 room needs to understand what it has been like for people who have received
36 those letters and how difficult it is to get over something like that.

1 I think also we need to not lose sight of the frustration of those who have not
2 been paid fairly to date and are still awaiting that outcome. Again in common
3 with other councils there have been compensation payments made but work
4 needs to be progressed to deals with the full value of what further equal pay cases
5 remain outstanding.

6 There was reference earlier in the hearing to the need for the Council to win
7 hearts and minds and I think that is probably a fair comment. But, to be honest,
8 Unison's position is that we are not quite sure how this will be achieved when the
9 lack of funding available for single status means wage cuts. Our members are
10 feeling bruised and have felt bruised over the last few years. There has been
11 continual change, there has been uncertainty, the financial situation does not help.
12 The single status I think for many was the last straw.

13 There is also a feeling that this process itself is leaving our members feeling
14 bruised because they now feel that they are under attack from their communities
15 and the citizens who they are striving to provide good quality services for. There
16 is allegation or speculation that there is across the board feelings in services
17 which is not how our members see things. Yes, they are aware that there are
18 areas where there are challenges but on the whole we would say that the staff
19 who work for the Council are hard working, they come in and they do a fair day's
20 work, and they are absolutely committed to delivering the best possible services
21 for the citizens who live here. We would just ask the Commission to bear that in
22 mind in any considerations.

23 THE CHAIRMAN: Thank you very much, Ms Donnelly. Before we go on can I just
24 correct something that I said earlier. I said that this would be the last speaker for
25 this session today. I have just received a note to tell me that one of the
26 representatives of the other unions who is to give evidence will not be available
27 tomorrow, and so we will take that evidence today. So it is a slightly longer
28 session today but that obviously gives us the opportunity to speak to all the union
29 representatives who are here today.

30 Ms Donnelly, thank you for your opening statement. I have two points to
31 make, or one point and one question, and then I will ask my colleagues to come
32 in with any questions they have. You referred to the property discussion as
33 inappropriate. I note your comments and it is in the transcript, so I think we will
34 have to leave that there. I think frankly the more we discuss it, it just would not
35 be what we would want here.

36 MS DONNELLY: Indeed, but we felt it was appropriate to make that point.

1 THE CHAIRMAN: Thank you. I want to go immediately to the culture of non-
2 compliance which has become a title of the discussion in some ways. You do not
3 accept it and I think you said that it is down to confusion and down to a top to
4 bottom approach rather than a bottom-up approach. Is that correct?

5 MS DONNELLY: What I said was we do not accept it is a Council wide approach,
6 that there is a Council wide culture of non-compliance.

7 THE CHAIRMAN: How widespread if at all is it, do you think?

8 MS DONNELLY: I am sure there are individual cases but I can only comment on
9 those matters that are brought to our attention, the individual cases. When we are
10 called to represent members in those instances we do so, as do the other trade
11 unions, but we do think that the issue is not about non-compliance, it is a lack of
12 understanding and a lack of communication, and it is all rolled up in the general
13 change fatigue, if you like. People feel that there have been changes going on
14 constantly. There has also been an issue of perhaps local government issues
15 running at the same time which I think has added to that confusion.

16 THE CHAIRMAN: Can I just clarify for my own understanding. Are you saying that
17 the Council within the confusion to which you refer, that would be an aid towards
18 compliance?

19 MS DONNELLY: I think whether "compliance" is the right word ---

20 THE CHAIRMAN: I know, I am just playing back what ---

21 MS DONNELLY: Yes. I do not know whether I accept ---

22 THE CHAIRMAN: Neither necessarily do I, I am playing it back in shorthand just
23 now.

24 MS DONNELLY: I am not necessarily accepting "compliance" is the correct word,
25 but I think there are issues about communication, there are issues about
26 understanding. I think the single biggest issue in all of this is job evaluation and
27 single status, the fear and uncertainty of those facing wage cuts, the fear and
28 uncertainty of those facing cuts in their terms and conditions aligned with the
29 pressures on the budget and the lack of available resources to properly and
30 adequately finance that.

31 THE CHAIRMAN: And, remind me, how long has that particular issue been there,
32 the single status, for you and your members, how long has that been in active
33 discussion?

34 MS DONNELLY: Well, leaving aside 1999, in terms of active discussions I would
35 say they probably commenced round about 2003 with letters being sent out in
36 2005.

1 THE CHAIRMAN: So prior to that, I will use the term only by way of shorthand, we
2 both understand what we are talking about, prior to that any culture of non-
3 compliance if such a thing existed was done ... Is that correct?
4 MS DONNELLY: I would say so, yes.
5 THE CHAIRMAN: Colleagues? Iain.
6 MR ROBERTSON: I would like to just ask about symptoms of change fatigue. Is it
7 the view that the staff are being asked and involved too much or they are being
8 told too much?
9 MS DONNELLY: I think there is a bit of both sometimes, to be quite honest with
10 you. I think if you go back, obviously on the reorganisation I cannot comment on
11 what happened because I did not come to the Council until 1999, but in 2000,
12 2001 the Council embarked upon the change process in terms of the move
13 towards the input structures. I think sometimes people during that journey have
14 either felt completely overwhelmed with the amount of information and perhaps
15 not understanding fully which parts of it applied to them. I think in other
16 instances there are examples where perhaps people have not received enough and
17 there have been varying tactics. What I would say is that generally when we
18 have asked for information as a trade union we have received it and where we
19 have not received it and have escalated it through the management structure then
20 there has been intervention to ensure that we do receive it. We have tried to play
21 our part in informing our members in terms of what they need to know and what
22 is relevant to them but I think the answer to your question is ---
23 MR ROBERTSON: So you think management could have been more sensitive to this
24 overload in terms of development of the changes going on, they should have seen
25 some of the symptoms in the course of all these years and backed off a little bit
26 on some of the changes?
27 MS DONNELLY: I think that is probably quite fair. It is a point that we felt
28 sometimes they were trying to do too much at the same time.
29 THE CHAIRMAN: Ann.
30 MS FAULDS: Ms Donnelly, what is your view of the local employment market?
31 MS DONNELLY: It is a fairly buoyant market, there is very little employment out
32 there. Certainly that is what the figures would suggest. I know that the Council
33 does struggle to recruit into some posts.
34 MS FAULDS: And does Unison have a position on market testing of local
35 government services in Aberdeen?
36 MS DONNELLY: Yes, we do. We are a trade union, as I said right at the start, and

1 our job is or we see our role as being to defend jobs and services. We will
2 challenge decisions to market test and we will not apologise for doing that
3 because as well as protecting our members' jobs and services we are absolutely
4 100 per cent committed to the public delivery of public services as opposed to
5 private profit.

6 MS FAULDS: Do you have a view on staff appraisal systems?

7 MS DONNELLY: In general or specifically?

8 MS FAULDS: We heard today that new staff appraisal systems were introduced in
9 the last 12 to 18 months. Do you welcome that initiative?

10 MS DONNELLY: I think in theory, yes, we would welcome it, so long as it is used
11 as a positive experience. If it is about genuinely assisting our colleagues or our
12 members of staff to improve their performance and identify training needs and
13 ensure those needs are met then I think of course we would welcome that.

14 MS FAULDS: What if there is a performance issue or a negative issue to be
15 addressed?

16 MS DONNELLY: The Council has competency procedures by which we would
17 expect them to deal with that.

18 MS FAULDS: Thank you.

19 THE CHAIRMAN: Douglas.

20 MR SINCLAIR: Just so I have got this absolutely clear, I think what you seem to be
21 saying to us is your view is that most staff are committed to doing the best
22 possible job for the public and what you are suggesting as the difficulties that
23 have arisen are I think twofold; one would be communication with staff just not
24 being clear about what is happening, and also the change process. It strikes me,
25 and I am interested to know whether this is what you are actually saying, that it is
26 the volume of that change. At one and the same time you had single status, you
27 had major structural change within the Council, and allied to that a growing
28 financial problem. Is there a reasonable argument to make that on the one hand
29 the staff are overwhelmed by that volume of change and, secondly, would any
30 council have the capacity to deal with such huge issues at one at the same time?

31 MS DONNELLY: I think it is fair to say that people felt overwhelmed and this was a
32 point made on more than one occasion in discussions with the Council. Whether
33 any other council would have the capacity to do it I cannot comment, I can only
34 comment on Aberdeen city, and I think they were struggling to deal with all the
35 issues that were ongoing in the city.

36 MR SINCLAIR: So in terms of how it runs in the future it is a huge challenge.

1 MS DONNELLY: It certainly appears so to the trade unions.

2 MR GEDDES: I understand that you have still to ballot your membership over the
3 single status. Is that right?

4 MS DONNELLY: That is correct. The two other trade unions have balloted.

5 Unison's position was that we would not ballot until all of our members had the
6 job evaluation outcomes and there was some delay because there had been some
7 changes to jobs in the intervening period between the submission of job
8 descriptions and the issue of results. We were quite clear in our branch that
9 everyone had to be in possession of the full information before they would be
10 asked to make a choice.

11 When the two other trade unions came back with their votes it became clear
12 that it was thought they were inaccurate and effectively it was not worth us going
13 through a ballot, so what we arranged then, the branch agreed that what we would
14 do instead was issue a consultative questionnaire which could give us something
15 a little bit more meaningful than just a yes or no, which was broken down into the
16 various parts of all these things to be dealt with, job evaluation outcomes, pay
17 line, various proposals, terms and conditions, and we are using that information
18 to inform our ongoing discussions with the Council.

19 MR GEDDES: It is an obvious point but one would assume that the chances of a yes
20 vote would improve if there was financial stability in the Council.

21 MS DONNELLY: To be honest, the chances of a yes vote will improve if the single
22 status is fully funded. The feedback we have been getting from our members,
23 and we can argue all day about whether it is realistic or not but it comes back to
24 what I said earlier, that it is fine to sit and say that it is not personal and it has to
25 be paid for and there is no additional funding. We accept that is the case.

26 As a branch we have campaigned very, very vigorously over the last three
27 years to try to get the then Scottish Executive, now Scottish government to
28 actually engage with local government and take some responsibility for funding
29 this because of the impact it is having on staff, on services and communities.

30 That was fine as an academic exercise but when you are someone who receives a
31 letter that says, "Your wages are being cut by, £1,000," or £2,000, or £10,000,
32 that is personal and there is no other way that you will look at it.

33 MR GEDDES: Assuming your objective argument solution to committing the time
34 and so on, within the sort of framework of public services how do you engage
35 with management to suggest improvements to the way in which your staff carry
36 out basic functions?

1 MS DONNELLY: I suppose it comes back to what I said in relation to the comments
2 that we submitted in the change process. At each stage in the process, we had a
3 consultation process with the employer where at the basic level we got 14 days
4 consultation on committee reports, in a number of initiatives we got longer than
5 that. We have actually had some discussions recently in trying to sort of firm up
6 those reports and look at the issues involving particularly around the
7 transformation programmes where we want our local stewards involved right
8 from the outset.

9 Part of that process is so that we can ensure that our members on the ground
10 are getting the opportunity to feed in to that, and if you are doing the job then you
11 have ideas about how things can be improved. These are discussions that have
12 been ongoing for the last two or three months in terms of clearly identifying what
13 the different roles are, where our role is and where our engagement is and where
14 our safeguards are in terms of transformation programmes moving forward.

15 MR GEDDES: Thank you very much.

16 MR SINCLAIR: I hear what you say about funding for the single status but the
17 Scottish government's position was quite clear that this was ... by trade unions
18 and local government.

19 I was interested in your point about terms and conditions and I understand the
20 role of any trade union is to try to protect members' interests and in terms of
21 conditions the public sector are very good, but there is an argument for
22 suggesting that in the way that life is changing, with more and more people with
23 partners working, access to services needs to be more flexible, in the evening and
24 on Saturday. How open is the local branch of Unison to that kind of thing?

25 MS DONNELLY: We will discuss anything and everything with the Council, I do
26 not think there is anything where anyone can say, certainly in the last four years,
27 that we have refused to discuss with the employer, but we will look for certain
28 safeguards for our members which I think it is our role to do. But we are open to
29 discussing particularly, we are well aware of the reality out there and the
30 changing needs but also the pressures and the budgetary pressures there are, and I
31 keep coming back to the point, first and foremost our role is to protect the jobs
32 and the conditions and the pay of our members, and if that is the kind of
33 discussion we need to get into to do that then of course we will do it.

34 THE CHAIRMAN: Is there anything else you wish to add before we call a halt to the
35 session?

36 MS DONNELLY: No, I think that is all. Thank you for the opportunity.

1 THE CHAIRMAN: Thank you very much indeed. We now come to the final final
2 group of people. Could I ask the other union representatives to come forward.
3 Lady, gentlemen, welcome. I understand you have an opening statement.
4

5 Opening statement by Janet Adams, Regional Organiser GMB
6

7 MS ADAMS: Thank you, Chairman, and thank you very much for hearing us today.
8 I am Janet Adams, regional organiser for the GMB trade union. On my right is
9 Graham Tran, organiser for Unite (Amicus); on my left Grant Bruce, EIS, and on
10 my far left Tommy Campbell, Unite (T&G).

11 I would like to put forward to you on behalf of GMB and Unite trade unions
12 some of the main concerns in regard to the financial crisis that is happening in
13 Aberdeen at present and the effects this is having on our members and the
14 citizens of Aberdeen. We have serious concerns regarding not only the impact
15 that cuts are having on members but also the manner in which the Council has
16 made these decisions.

17 We along with the rest of Aberdeen learned of these cuts by reading about
18 them in the press. The Council claim they work in partnership with the trade
19 unions but chose not to consult us prior to the press release. Once we became
20 aware of the proposals we immediately tried to get information so we could
21 consult our members in regard to this. This information was not forthcoming.
22 The more we studied these proposals the more it became evident that they were
23 both ill thought out and unworkable. This resulted in the GMB and Unite
24 declaring a formal dispute with the City Council.

25 Over the past two months we have attended numerous meetings as well as
26 corresponding via email with the Council asking for detailed information in
27 regard to these proposed cuts in jobs and services but all we receive is budget
28 monitoring statements. We also feel that there has been an underspend in some
29 departments on the previous years' budgets and we are suspicious that extra
30 monies have been allocated over and above actual budget needs in some sectors
31 where staff posts are not being filled but monies are still being allocated for these
32 posts.

33 I would also strongly deny any suggestion that the unions and their members
34 are not complying with change. There are many examples of modernisation
35 changes having taken place in the past that we have been party. However, on
36 these proposals our members are unwilling to commit to any change due to the

1 lack and withholding of any detailed information.

2 Also there is the fact that the Council are making statements in the press about
3 the privatisation of our members' jobs. Given that, could anyone really expect
4 our members to co-operate with these proposed cuts?

5 That is all we would like to say in our prepared statement, Chairman.
6 However, I would like to pass on to Grant Bruce from EIS for his statement.

7
8 Opening statement by Grant Bruce, Secretary Aberdeen EIS

9
10 MR BRUCE: Thank you, Chairman. Since October 2005 Aberdeen EIS has
11 expressed concerns about the structure, strategy and operational capacity of
12 Aberdeen City Council. These views have been expressed in letters to the Chief
13 Executive and elected members, at meetings with the Chief Executive and indeed
14 second, third and fourth tier managers and also during informal and formal
15 grievance hearings.

16 We feel that since the removal of the Director of Education post in December
17 2005 there has been no designated individual with the appropriate level of
18 responsibility and operational capacity to ensure strategic leadership and support
19 to schools and consistent and equitable delivery of said strategy across the three
20 neighbourhoods.

21 Head teachers are consistently blamed for lack of pace in change or are seen
22 as barriers to change. Over the last 25 years education has changed throughout
23 Scotland and teachers have embraced these changes and I hope they will continue
24 to do so in the future. The criticism has not been based on facts.

25 One of the problems about the transformation strategy, and we heard earlier
26 from Abigail Tierney where she said four targets had not been met, and one of
27 the four would be the restructuring of management within our schools in
28 Aberdeen. It became Council policy in May 2005, three years ago, head teachers
29 in schools then went about the job, collegiately consulting teachers in schools
30 about the new management structure. Thereafter the paper was withdrawn,
31 amended and then reissued. After that a second stage of consultation took place
32 with our schools collegiately and indeed in one area the committee actually went
33 ahead and produced a policy that seemed to differ from the original paper.

34 Three years on, the transformation document stated that the target was 2008, a
35 paper was supposed to come to the 29th April Policy and Strategy Committee but
36 my understanding is it was pulled at the last minute by the administration, and

1 quite rightly so, for lack of financial detail. I use that as an example of the
2 problems that we have had in management change over the years.

3 Indeed the production of the most important document since the inception of
4 Aberdeen futures was the transformation programme and it amazed us at the time
5 that this document was not placed by management on the formal consultative
6 process we have in Aberdeen for teachers.

7 Finally on transformation, the document is flawed in its benchmarking
8 exercise comparing Aberdeen's attainment with that of Edinburgh City Council.
9 For example, Edinburgh City Council has 15 special schools, we only have five
10 left in Aberdeen. The level of mainstream maintained additional support needs
11 pupils in Aberdeen schools is much, much greater than you have in Edinburgh,
12 and therefore in an attempt to compare 14 national assessments for Aberdeen
13 compared to Edinburgh it is just a facile exercise and clearly also, as we know, as
14 mentioned earlier, Edinburgh has a much greater percentage of pupils in the
15 independent sector.

16 The capacity of the Council to secure change. In December 2007 a paper was
17 produced outlining SEBN strategy, that is the strategy for social, emotional and
18 behavioural needs for pupils in the city. This took place because of the
19 comments from the INEA2 inspection. At the time the spending on out of city
20 placements was reported as £9 million we spend for something like over 100
21 Aberdeen pupils that are sent outwith the city for education, and my
22 understanding is that they are mainly SEBN pupils.

23 The report to Education Committee of 11th December 2007 outlined two key
24 posts, policy officer secondments, that would be essential to progress this vital
25 policy and to date unfortunately these posts are not in place. Added to this is the
26 likely removal because of budget cuts of large numbers of support for learning
27 teachers, behaviour support teachers and ASN teachers from classrooms from
28 August 2008 which may inevitably if the support is withdrawn could lead to
29 increases in the out of city placements that are causing financial damage to the
30 city at present.

31 Staff do not understand the purpose behind Aberdeen futures; all they see is a
32 triplication of service support in a small city and a lack of consistency across the
33 three areas. There is a perception among some EIS members as well that
34 Aberdeen city operates a blame culture. There is a perception that staff do not
35 feel involved, that they have change done to them, that they have never really
36 been invited to have ownership of the change.

1 Finally, the current financial position. A great deal of money was spent in
2 2005/06 in severance payments to long serving, experienced staff in learning and
3 leisure. A great deal of money has also been spent in establishing the
4 neighbourhood structures, a transition which suffered from the early release of
5 these experienced staff. We can only speculate on these large costs but we are
6 certain that this has not been money well spent because the new structures have,
7 at least according to outside inspections, led to a deterioration in the leadership
8 provided to our schools.

9 If we are to cut back on these expensive out of city placements, and my
10 understanding is that some of these placements can cost the Council £250,000 per
11 pupil per year, it is essential to address the difficulties caused by inclusion in our
12 schools by making sure that the resources are put in place to deal with that.

13 THE CHAIRMAN: Thank you very much. Does anyone else wish to speak?
14

15 Opening statement by Graham Tran, Unite (Amicus)
16

17 MR TRAN: Chairman, I am Graham Tran, Unite, Amicus section. I would just like
18 to take a couple of minutes of your time to explain my involvement in the process
19 and that is primarily in the craft workers in the Council, which are the
20 electricians, plumbers, engineers etc. I totally refute what was said earlier today
21 to the Commission about the trade unions opposing change. I think where we are
22 coming from is we want to be in control of the change and not the change in
23 control of us. In the craft sector we have demonstrated that.

24 In 2003 there were discussions about market testing, about outsourcing, but
25 there was also a discussion about modernisation and the craft agenda and if we
26 bought in to this process it would allow more work to be brought in house. It
27 took longer than expected, some four years the discussions went on, and the
28 Council's leading team decided to take voluntary service, to go back on track
29 when it came back to consultants, but of course that upset some of our members.

30 Part of the process also, I have to say, was neighbourhood services and the
31 setting up of the three areas. That was and still is some confusion for our
32 members and we see it as triplication or duplication of some resources. The
33 process that we have in place in the modernisation is in the early stages, it was
34 only signed a year ago, but we do have a difficulty in that we are not seeing good
35 returns in terms of work coming back in house; in fact quite the opposite. Since
36 the agreement was signed there were a number of Council craftsmen who are

1 now going to work for contractors who are doing work for the Council. So they
2 finish up with the Council on the Friday night and they come back for contractors
3 doing the same work in the same area for more money.

4 Money is one element of it but not all. Morale is one part of it. Job
5 satisfaction is another part of it. Part of the Council policy is when somebody
6 leaves to have an exit interview, many of them do that. In the craft sector three
7 weeks ago not one exit interview had been carried out to find out why staff had
8 left, so how can you possibly address the problem if you are not following your
9 own policy to find out why people have left the services.

10 It also raises questions of grave concern, Chairman, on the health and safety
11 front as well. We have a number of contractors working for the Council and
12 there does not appear to be a proper policy in terms of measuring the competency
13 of the staff that the contractors are using. The Council are aware of it but it has
14 not been addressed as it should be. We have also had situations where the trade
15 unions have been bypassed and people have been recruited into craft positions
16 who were not qualified to carry out that work.

17 When we found out what had happened there we raised it with the Council
18 and we managed to bring it back on track and people were put into training, but it
19 is not an ideal situation where I believe competency has been questioned,
20 processes were put in place. You can make up your own minds about what that
21 means in terms of morale in the work force and it has not been addressed
22 properly. I only deal with the craft area but I think it is useful that the
23 Commission are aware of that.

24 THE CHAIRMAN: Thank you very much. Mr Campbell, do you want to add
25 anything?

26
27 Opening statement by Tommy Campbell, Unite (T&G)

28
29 MR CAMPBELL: Just a few comments to follow on from that. I listened very
30 carefully to the evidence presented earlier by the City Council councillors and the
31 senior management. I wish to bring to your attention that I noticed that the panel
32 were very welcoming of the information presented to you by Alan White about
33 the housing voids issue because that was a good news story. But my
34 understanding is that it was predominantly private contractors that were used
35 over a limited period of time, morning noon and night, Friday, Saturday, Sunday,
36 to get those voids down.

1 When that happened there was a huge celebration by the management team,
2 and they are welcome to it, but the question I think the panel need to find out is
3 how much exactly did it cost the Council to get that number of voids down from
4 well over a thousand and how much did they pay to private companies. That is
5 an issue that we have now, as my colleague Graham Tran has rightly pointed out
6 we have now got the crazy situation that when we bought in to the modernisation
7 of the draft agreement it was on the basis that it would move towards building the
8 organisation, retaining staff and recruiting staff because they were being offered
9 salaries which were reasonably good at that time, but market forces have now
10 dictated that people are selling their labour to the higher bidders in the private
11 sector. We have now got the crazy situation of plumbers, joiners and electricians
12 walking out of the Council, some with over 20 years service, walking out on a
13 Friday into private sector companies on the Monday morning coming back to
14 work on the same flats that they were working in, electricians doing electrical
15 work, and earning up to £1,000 a week, and it is the Council that is paying for
16 that.

17 We tried to persuade the management. Iain Robertson was very correct, the
18 issue about communication is listening, and we find from our experience that
19 there is a culture of non-compliance in the Council but it is at the very top of the
20 senior management who do not comply with that simple principle of listening to
21 what they are being told.

22 I represent as a general union a significant number of different types of
23 Council workers and I can assure you that school cleaners and building cleaners
24 who come to work in the morning comply with the terms of their contract
25 because when everybody comes in to work the buildings are clean, it is not a
26 magic fairy that does it, it is workers, willing workers coming in and complying
27 with the terms of their contracts. Catering staff come into the schools and homes
28 and they comply, they do not not comply, and they produce the food that the
29 children and old people eat. We have got people who sweep the streets, collect
30 the rubbish.

31 As my colleague Karen from Unison said, there are office workers who come
32 in, and I can assure you my experience is that on a daily basis there are Council
33 workers coming to work before their normal starting time, not claiming extra
34 time for it. There are cleaners doing that in schools, there are cooks doing that in
35 schools, people doing it right across the Council because they actually are good
36 public servants, and the reason for low morale is that they are upset at the adverse

1 publicity the Council is obtaining, and particularly in more recent times, which is
2 caused as they see it by the very senior management at the top and the poor
3 political Council.

4 So housing voids is one I think you need to examine very closely. In terms of
5 modernisation and trade union co-operation, we signed the cleansing contract in
6 2003. It was hailed and commended by the Scottish Executive as an agreement
7 between the unions and the council that was in and the sweeping staff and that
8 has worked very well. To be blunt about it, one of my colleagues spoke about
9 wanting to keep services in house but I am not nervous about market testing if the
10 playing field is equal.

11 We have a situation where there was a pilot scheme in a primary school, and I
12 am still demanding and asking for information for an actual comparison of the
13 cost, and we were told that the private company was cheaper. But we know that
14 they are not because they have access to council equipment and we are asking to
15 see the actual invoice that was paid to the private company for the work done
16 because that way we can see whether the cost was cheaper or not.

17 We also have a crazy situation, and the point was made by yourself,
18 Chairman, where we have people coming to us who wish to remain anonymous
19 who as late as last night were telling me that they are working in the care sector,
20 they have had clients taken off them where they had an hour's work to do with
21 them, and there are private companies doing that work now and they know from
22 local contacts within the local communities that they are spending five and 10
23 minutes. This sort of thing needs to be checked out. We raised these things.

24 In terms of the budget situation we consistently ask for information; we
25 eventually get information in the budget monitoring situations but when we dig in
26 deep we discover, and we are still pursuing this matter, that we are suspicious
27 that in certain sectors of the Council we have had officials, who are maybe a dab
28 hand at it, have been able to secure, maybe possibly just in the same form they
29 are coming here, they are pretending they have given up cuts but in fact in some
30 cases we believe they may have got extra money. That as far as we are
31 concerned needs to be examined by the senior management and we are still in
32 dispute on that particular matter.

33 In respect of listening I have to say that I was very shocked to hear Councillor
34 Dean comment, and I hope it is clearly on the record so that we can challenge it
35 later as well, when she said with a quip that we all know that those people who
36 respond to questionnaires have an axe to grind. I think that sums up the attitude

1 of any politician, why bother asking people for their views if you believe that
2 those who reply have got an axe to grind. I think that is a very unfair comment
3 and I am hoping that Councillor Dean will have the honour to withdraw that
4 remark and apologise, particularly to staff who have the decency to respond to
5 questionnaires that the management have issued.

6 I have other issues about disaggregation and I am sure we will hopefully get a
7 chance to give some answers to the members of the panel. Thank you.

8 THE CHAIRMAN: Thank you very much. Again I have just one question and I
9 sense my colleagues will have more to come back to you with. My question is a
10 simple one, to Ms Adams, and it is the reference to the culture of non-compliance
11 again. I think you said that there were many examples of compliance but that
12 because of the lack of information now coming forward you have grown a bit
13 suspicious about what to do and that is why there has been this sliding in action
14 of moving things forward. Did I get that right?

15 MS ADAMS: Yes. When reading the papers about what is going to be happening to
16 our members' jobs obviously we ask questions. When we do not get the answers
17 to the questions we then cannot pass it on to our membership, so therefore the
18 membership are becoming very distrusting of the Council and they feel that they
19 do not have any input in any decisions that are made, that the decisions are more
20 forced on them than requested.

21 THE CHAIRMAN: That is relatively recent?

22 MS ADAMS: Yes.

23 THE CHAIRMAN: What happened before that?

24 MS ADAMS: I actually was not up here in post before that so I would have to pass it
25 on to Mr Campbell.

26 MR CAMPBELL: Years ago, as many will recall, going back to the OCCT days, that
27 management in advance of contract dates, with the trade union representatives,
28 who were conscious that it was a process we were all prisoners of, we shared
29 information and the client side went and did their work and drew up all the
30 contracts. We worked with the management side on what was the DSO which
31 led to the DLO organisation, or CSD as it was in the old Council here, and there
32 were cuts made. We had to tighten our belts, the management sharpened up their
33 pencil and did their homework financially and we had to sacrifice certain
34 elements of the terms and conditions of employment.

35 That is why staff take great offence then when they hear remarks like, "Staff
36 are not for change". I have been dealing with the local authorities since I have

1 been an appointed officer since 1990 and I have been through most of the
2 changes, I have witnessed them all, and some of them have been quite difficult,
3 but the workers eventually have complied with the change.

4 For example, we used to in terms of the budgets of the Council, by November
5 we would be briefed with what was management's thinking and it was done in
6 confidence with the people in the room, the possibility of closing this home, or
7 looking at this, looking at that, so that we would have working groups set up
8 where we would enter into dialogue without prejudice so that we could keep and
9 retain written evidence to support us, for example, in any decision that was made.

10 So we were aware in the past and in some respects could be criticised by our
11 members for confidentially seeking information at an early stage but in terms of
12 industrial relations and the like that process has to take place across the different
13 parties. I would have to say now that basically in more recent times that trust has
14 now gone. I came back and found out at the weekend the views about the Crown
15 services, and that only happened in the past week. We need debate about it, even
16 in the private sector, company management, managing directors, those meeting
17 privately if there is something on the horizon that is potentially about to happen
18 because you have sometimes real situations.

19 So on the one hand they say, "We're just market testing, there's no decision
20 made on privatisation," but what does it lead in to? When we discuss the
21 situation this is now the writing on the wall and that is it. Unfortunately that is
22 the situation that has now been arrived at.

23 THE CHAIRMAN: Thank you very much. Colleagues. Iain.

24 MR ROBERTSON: Following up the point about change fatigue that one of your
25 other colleagues in the last session of the hearing before us mentioned, I am
26 concerned that the level of stress that all these changes are causing may be one of
27 the factors in the high absence rates because the high absence rates apply to
28 teachers as well; 35 per cent absence rate as a sickness absence rate is a high
29 percentage. Would you like to comment on that? Is all this change fatigue
30 affecting teachers as well and that leads to the absences?

31 MR BRUCE: I do not have the evidence to say that it is the rate of change that is
32 causing the absence rate. All I know is that they talk about the lack of
33 collegiality, which was the buzz word that came out in 1981, that was upsetting.
34 I go round many schools obviously as part of my job and it is that lack of
35 collegiality at that higher level that is upsetting some of the teachers in schools.

36 MR ROBERTSON: Thank you. I would like to ask Tommy Campbell on the

1 question of private sector companies taking over care in the community, I believe
2 that many of these private sector companies elsewhere in Scotland had a job with
3 staff retention and had quite a high turnover of staff. Is there anything done that
4 you know of that tests the sort of customers, I know many of them are not able to
5 fill in questionnaires but is there any work done to see whether the customers
6 prefer council care to private sector care?

7 MR CAMPBELL: I have no knowledge of how they are monitoring the situation. I
8 have asked recently in another group of care workers and they only advised me
9 that since August of last year they have had no clients referred to them, they have
10 all been referred to the private sector. They had 119 clients between them and
11 when I met them a month ago I was told that was down to 94, so in that period of
12 a couple of months the management had made the decision to outsource, i.e. get
13 the private sector to look after the clients they were looking after. That is a
14 significant cost to the Council because they are still employing the staff who were
15 looking after them.

16 There is competition in the evidence given this morning. We heard I think it
17 was Councillor Dean saying that the Council's social work staff and care staff are
18 very hard working. I had a letter recently from the Corporate Director, Pete
19 Leonard, who will support me, where I had queried a cost to the Council of £42
20 an hour, the staff are on £8 an hour, by the way, and I got an answer which made
21 it quite clear to me, and it is the most ridiculous answer I have ever seen in my
22 life, as to how they came to that conclusion.

23 I want answers and I want answers as to who the private companies are, how
24 much specifically it is costing the Council to put those clients over to those
25 private companies, who is making the decisions inside the Council, what
26 mechanisms, and we heard the evidence today already, what mechanisms are in
27 place to protect the Council from over-charging by these private companies once
28 they see them flying through the door.

29 That is a very serious issue of accountability and in particular financial
30 accountability, but the most upsetting thing for the staff, by the way, the ones
31 who phoned me last night, is they are very concerned about people in the
32 community they were looking after and giving an hour's care to them at night
33 time for them being fed, washed and basically put to bed, it was now down to a
34 five or 10 minute rush-in by what are allegedly, and I have to say this again,
35 allegedly untrained and possibly staff that have not been SCRO checked.

36 This was fresh last night, I do not have anything formal to give to the Council

1 about this, but I am not giving up on this one. The answer I will get back when I
2 say this information will have to remain anonymous, they will probably not want
3 to deal with it because they will want names and places and all the rest of it. I
4 understand that is quite difficult but I will drop them a letter saying, "I want to
5 know what mechanisms you have in place guaranteeing that all clients who had
6 an hour's work from the Council are definitely getting the hour's work from the
7 private companies as well". Thank you.

8 MR TRANN: Could I come back for a moment on what Mr Bruce was talking about
9 regarding sickness absence. I have been involved with a number of companies in
10 Aberdeen and we actually have a formula within the trade union that helps
11 companies, so we see ourselves as being part of the solution. You talk about the
12 change and the reason for high absenteeism. That may be the case but I think
13 what is missing here is the workforce involvement. If you take people with you
14 in terms of the change programme, let them have an input to the change
15 programme, then the stress related issues may not be the same.

16 I mentioned earlier about my own union having a system in place where we
17 work with companies and we have been successful in reducing sickness absence
18 in various work places, we have done it in the Ministry of Defence and so forth.
19 The Convener, Joe Craig, and I actually met with people within Aberdeen City
20 Council and the bottom line or the starting point is you have to know how much
21 they are actually spending on sick absence for cover. It could not be provided to
22 us so we never got over the first hurdle.

23 That was a number of years ago and nobody came back to us to take us up on
24 that offer yet again. It did not work, and it is rather disappointing that when you
25 go in and you ask, "How much are you actually paying on sickness absence?"
26 they could not tell you because the system they have got in place is a win/win
27 situation. But we did not get over the first hurdle and I think the Commission
28 should be aware of that.

29 THE CHAIRMAN: Thank you. Douglas.

30 MR SINCLAIR: Mr Tran, Grant Bruce talked very briefly about management and
31 the issue around restructuring, and I notice Mr Campbell said at the end that he
32 would be happy to give some views on disaggregation. I would be interested in
33 getting your thoughts on what you think about restructuring both from the point
34 of view of starting equally but, and this is the test of any structure, is it adding
35 value, is it delivering better services for the public.

36 MR TRAN: Better value for the people of Aberdeen in the services provided?

1 MR SINCLAIR: Yes.

2 MR TRAN: I think what we want to focus on is, the deal we entered into or the deal
3 that I believe we entered into with Aberdeen City Council is delivering what is
4 best for the citizens of Aberdeen. What I mean by that is firstly workmanship,
5 certainly, because there have been a number of occasions where private
6 contractors have been carrying out tasks not to a satisfactory workman level and
7 we had to go back and actually re-do the work.

8 In terms of value for money that is important. It is important to us because if
9 you look at the City Council like a business we need it to be successful and
10 efficient for job security for our members. But when we get the dissatisfaction
11 that we have for whatever reason it is not helpful. So I believe if we to focus on
12 the deal that we have entered into with Aberdeen City Council on the
13 modernisation programme and start to bring work in-house, we have actually
14 given an example to the Commission.

15 A number of contracts were put out in terms of maintenance for lifts in a tower
16 block. One contract was given to a company where the nearest person lived in
17 Dundee. There was a memo put out from the management in the Council to
18 officers that you waited one hour before calling for assistance. The residents did
19 not know that they had to wait for one hour stuck in the tower block before they
20 could get any assistance. I am glad to report there has been some listening
21 somewhere within the Council because one of those lift contracts has actually
22 been brought back in-house.

23 Given time we can demonstrate, given the opportunity we can demonstrate
24 value for money and proper workmanship to deliver to the people of this city and
25 that is what they deserve.

26 THE CHAIRMAN: Thank you. Mr Bruce.

27 MR BRUCE: At an operational level I have fortnightly meetings with the three
28 service managers, one for each of the areas, and a crucial part of that hour long
29 meeting every fortnight is in looking at the implementation of the policies and
30 ensuring that there is consistency across the three neighbourhoods at the
31 operational level.

32 As I said previously, this triplication of service support in a small city the EIS
33 believe has not helped. Clearly we have worked hard with the officers to ensure
34 that there is consistency at an operational level but the three neighbourhoods in
35 my opinion does not help.

36 MR CAMPBELL: Yes, it is a very interesting topic. I will give you a very simple

1 example of how it does not work. A school was in one area until the last few
2 months but moved into another area. I do not know why it moved. The cleaner
3 in that school happened to be doing chargehand duties in January of last year and
4 had raised a grievance about not getting about not being paid a chargehand
5 allowance. October was when the change took place. The new manager said,
6 "I'm only paying you from October because you're in my area from then and I'm
7 washing my hands of anything before then".

8 This was a Council employee, by the way, an employee of the area who is
9 now, because of the procrastination by the management over this issue, despite
10 comments from me, and this is my experience, I now have to file an Employment
11 Tribunal claim for non-payment of wages to recover the woman's proper salary.
12 That is something I have had to do hundreds of times with this Council because
13 of the non-compliance with proper procedures in dealing with grievances.

14 As regards disaggregation on a wider issue we are currently in a trades dispute
15 over the parking attendants, the trans-community wardens and environmental
16 wardens. There is an alleged grand plan with the councillors to have city-wide
17 city wardens and we made it clear it is a daft thing here.

18 I have recently been asking questions about the legislation, particularly
19 parking legislation in Scotland, that I understand states that parking attendants
20 have to be clearly identified to be separate from trans-community wardens and
21 police officers and community workers, i.e. it must be identified that they are
22 responsible for handling parking fines. I asked the Council management to
23 confirm if they are implying by using the words "city warden" to describe the
24 community, and I have been told, yes, they are, "We have been given the advice
25 and we are adhering to the requirements of the legislation". So I asked them,
26 "Tell me exactly what the central legislation is that states when you use the words
27 'city warden' you are using it to that effect". I simply have not been given that
28 information and I suspect the reason why I have not been given it is because it
29 does not exist, because their plan just will not get off the ground, it is not a good
30 idea.

31 They are then going to disaggregate the entire team into the three areas and as
32 a result of that they are creating a new management structure and they have fitted
33 in an extra management post, at a time when this Council is claiming that they
34 have no money. We have registered our dispute and we are clear that one aspect
35 of our dispute is opposition to the creation of the extra post which is made clear
36 we see as a form of empire building by a team within the Central area, and we

1 will pursue that dispute if necessary; we are still in dialogue with the
2 management.

3 But it beggars believe that at a time when the Council is short of money that
4 the councillors, whether they have noticed this or not or listened to us on the
5 matter, are prepared to appoint an extra manager for recruiting staff who are
6 going to be managed on a city-wide basis and when they are disaggregated there
7 will be an extra manager in place. There it goes. Economics is a hard place as
8 far as I am concerned.

9 THE CHAIRMAN: Thank you very much. Keith.

10 MR GEDDES: Just to go back to the housing voids thing, I should make it clear that
11 I am a member of Edinburgh T&G at the moment but after what I am about to say
12 I may be expelled! In terms of the reason why you thought it was good news
13 was, first, in terms of re-letting the average time went down from 102 days to 51,
14 which must be good news for homeless people, I suppose and it is good news for
15 the Council because they get extra rent and it probably reduces crime because
16 vacant houses encourage crime. People feel good about a community where
17 houses are let, it will improve the look of the local community. If former Council
18 workers are earning £1,000 a week it is not bad for them, either. To cut through
19 that, though, before it was hived off to the private sector were you approached as
20 to whether or not workers would work in different ways to increase the number
21 of re-lets more quickly?

22 MR CAMPBELL: The answer is no. I understand that some in-house team did do
23 some work on voids but that is not the impression we want to leave with the
24 panel. We will try to find out exactly how much money was spent in the private
25 sector in bringing those voids down. I welcome the fact that the voids are down
26 but how much money was actually spent by the Council in bringing that down so
27 fast? I suspect there was a huge amount of money put into that operation, I have
28 no idea what the amount is but I suspect it was many, many millions of pounds.

29 I think you have the authority to seek that information and I think it is
30 interesting that the impression I got from Alan White's evidence was that it was
31 the in-house team who were on board for that change and they did it, and I
32 understand they did participate in it but were not a major player. If I am incorrect
33 in that I will apologise for making the suggestion that it was the private sector
34 and not the in-house team that were the prime movers in that and it was them that
35 got the money or most of the money. But somebody needs to ask the question
36 because I am not getting answers about it.

1 THE CHAIRMAN: Thank you very much. That concludes our questions of you. Is
2 there any final statement you wish to make or are you content?

3 MR CAMPBELL: I would just finally say we were glad to have the opportunity. I
4 am confident that you have listened. Both myself and my colleagues have
5 enjoyed your questions. I have enjoyed the way you have questioned the elected
6 members of the political parties and the Council and Council officials. At the end
7 of the day there is a major problem inside the Council.

8 I wish to take this opportunity to publicly say all the best to Douglas Paterson,
9 the Chief Executive; I wish him and his family well in his retirement. I think that
10 he has on some occasions tried his best, we have had our arguments in the past as
11 well, but when Douglas retires the problems that we eventually do dig up
12 hopefully will have been resolved. But my experience in the Council is
13 unfortunately the attitude of non-compliance by the senior management in not
14 listening. If they change their attitude and listen I can reassure you, as significant
15 history has shown, we will co-operate with change as we have done in the past
16 when it is change for the good, not change for the bad.

17 THE CHAIRMAN: Thank you very much. Lady, gentlemen, thank you very much
18 for your evidence, we appreciate it.

19 Ladies and gentlemen, that concludes the first day of this public hearing. We
20 have some witnesses to hear tomorrow and of course I suspect that the Council
21 will want to come back with some further views at the end of the session
22 tomorrow. This is a thing we allow on the second day to let the Council have
23 another word on any comments that have been made in the meantime. So we
24 shall reconvene tomorrow at 10 o'clock. Thank you very much.

25 (Adjourned until Wednesday, 14th May 2008 at 10 am)

26

ACCOUNTS COMMISSION FOR SCOTLAND

ABERDEEN CITY COUNCIL: REPORTS BY THE CONTROLLER OF AUDIT ON THE
AUDIT OF BEST VALUE AND COMMUNITY PLANNING AND ON THE
PROPERTY SALES INVESTIGATION

HEARING

at

Town and County Hall, Town House, Castle Street, Aberdeen
on

Wednesday, 14th May 2008

BEFORE:

MR JOHN BAILLIE
(Chairman)
MS ANN FAULDS
MR KEITH GEDDES
MR IAIN ROBERTSON
MR DOUGLAS SINCLAIR

DAY TWO

From the shorthand notes of Ubiquis
Cliffords Inn, Fetter Lane, London EC4A 1LD
Telephone: 0207 269 0370

1 THE CHAIRMAN: Good morning, ladies and gentlemen. Welcome to the second day
2 of this public hearing. I will not bother with the rules of procedure that I explained
3 yesterday and I think we can probably take the health and safety notice for granted,
4 unless someone is desperate to hear it again.

5 Our first witness today is Rhonda Kelly, Chief Executive of Aberdeen Council of
6 Voluntary Organisations. Could I ask Ms Kelly please to come forward. Good
7 morning. Could I ask you to give your name and position for the record, please.

8 MS KELLY: My name is Rhonda Kelly. I am the Chief Executive of Aberdeen Council
9 of Voluntary Organisations.

10 THE CHAIRMAN: I believe you have an opening statement.

11 MS KELLY: Yes, please.

12
13 Opening statement by Rhonda Kelly, Chief Executive of
14 Aberdeen Council of Voluntary Organisations
15

16 MS KELLY: Thank you for allowing me to put forward the views of the voluntary
17 sector.

18 The sector in Aberdeen is a vibrant, diverse one and employs well in excess of
19 5,000 staff who provide high quality services to the most vulnerable people within
20 the city. Volunteer hours account for over 3.7 million hours worked per annum and
21 the sector is estimated to be worth over £269.9 million. Twenty-four per cent of
22 beneficiaries of services are children, young people and families, and people with
23 disability or health issues account for a further 23 per cent.

24 The sector provides a huge number of services on behalf of the City Council,
25 many in the care sector. The impact of the financial position of the Council is wide
26 ranging for individual organisations within the city and also for the sector as a
27 whole. In a survey carried out on line recently, 79.4 per cent of the respondents
28 stated that the City Council budget decisions would affect their organisations directly
29 with 38.2 per cent being affected by the transformations programme. A further 81.8
30 per cent expected indirect effects from the budget cuts with 48.5 per cent expecting
31 indirect changes as a result of transformations.

32 The transformation programme has already begun to affect voluntary sector
33 providers of services. The change in eligibility criteria which came out of the
34 transformation programme will result in the closure of many services who provide

1 for low or medium level needs, and this comes despite Oldham Council stating
2 fervently at a recent Aberdeen City Council conference that they had tried this
3 approach and it did not work, and that the end result of this change was simply that
4 more people moved upwards into high and critical levels of need much more
5 quickly.

6 When the Council began looking at their transformation strategy they stated quite
7 openly that this would be an inward looking process and that this process was to
8 ensure best value. However, as the impacts of these decisions affect many partners
9 and in particular the voluntary sector it would have been much more prudent for the
10 decision makers to involve us in their deliberations.

11 The voluntary sector has a history of being innovative, adaptable and pragmatic
12 and we could have helped to identify ways forward had we been involved.
13 Organisations have found it intensely difficult to glean information as to their
14 funding situation. Contributing to these difficulties is the lack of a contact officer for
15 particular funds. Organisations are being passed from officer to officer with an
16 apparent unwillingness to pass on information or, even worse, with each officer
17 telling organisations something slightly different, leading to confusion, mistrust and
18 frustration. It seems that officers are confused about the current funding situation
19 and are being caught on the hop by requests for information, and our experience is
20 that they do not know what the local authority is committed to.

21 The recent changes in structures, including the introduction of neighbourhoods,
22 has caused difficulties with communication and there is a lack of understanding, we
23 feel both within the Council but certainly from outwith, over who to contact when, in
24 what region, whether strategists or operational staff. This would certainly go some
25 way to explaining why the staff commitment to the programme of change has not
26 been achieved.

27 Although the Council expects the sector to provide high quality services it does
28 not seem to be committed to funding core services such as support for trustees and
29 training for trustees, and one cannot help but feel that it is a matter of luck that the
30 current unfortunate situation with Scottish Charity One Plus has not been replicated
31 here. Unless the local authority has a commitment and makes a reality of full cost
32 recovery then organisations will struggle to provide services. The OSCR report
33 made a list of such recommendations to funders of services.

34 At this point it is worth pointing out that in 2005 Aberdeen City Council was a

1 leading partner in the development of a compact for Aberdeen. Essentially this is a
2 standards framework for how partners will do business with each other, but sadly the
3 shared principles, values and commitments have not been adhered to over the last
4 while.

5 Overall the concerns from the sector are:

- 6 1. Lack of communication leading up to and after the decision making process.
- 7 2. Not knowing who in the organisation should be contacted to access information.
- 8 3. The Council not offering general briefings on a regular basis despite us requesting
9 these since last autumn.
- 10 4. Conflicting information coming out of the Council from officers, both strategic and
11 operational, and elected members.
- 12 5. The feeling that this is short term change with other changes to follow; this is
13 worrying for the sector.
- 14 6. A lack of consistency of approach in the way the administration have spoken to
15 organisations and a feeling that those who shout loudest seem to be listened to, but
16 everyone needs to know what impacts are going to affect them.
- 17 7. Council officials do not know what changes have been made and therefore are not
18 able to make decisions or have informed discussions.
- 19 8. The Council's apparent lack of understanding re consultation and communication; we
20 have not been consulted but we have been briefed on occasion.
- 21 9. There appears to be no clear plan and with all this confusion and misinformation we
22 are finding it difficult to retain staff.
- 23 10. We are concerned as to the economic impact of cuts in the voluntary sector and
24 particularly in regeneration areas as people who would normally be employed by the
25 care sector enter unemployment. Also, voluntary organisations bring in huge
26 amounts of money to the city through added value and grant funding, and this will no
27 longer be the case as voluntary organisations either close or scale back their
28 operations.

29 We would ask that any recommendations include a requirement for timely
30 consultation and communication with the voluntary sector, allowing opportunities
31 for boards to meet and discuss these recommendations; more than this, however, the
32 acceptance that there may be room for negotiation, in other words, we might be able
33 to find efficiencies ourselves along with different ways of working. For instance,
34 there is a feeling that the planned redevelopment at Raeden may not necessarily need

1 to go ahead as there is already provision within the city for these services but this
2 would mean a partnership of public, private and voluntary sectors.

3 MR SINCLAIR: I am sorry, I missed that. Could you just repeat what that was
4 regarding planned redevelopment?

5 MS KELLY: At Raeden; it is schooling for children with learning disabilities.

6 We would ask that we be included in budgeting processes and planning processes
7 so that we can seek efficiencies together. We recognise the situation the Council
8 finds itself in and that savings have to be made. However, a process of honest, open
9 discussion can be the only positive way forward. If we are kept informed and
10 involved in a transparent, open process then we can work together to effect change
11 and to ensure a better life for the people of Aberdeen.

12 THE CHAIRMAN: Thank you very much. I will start with one particular question.

13 You referred to a number of difficulties there. One of the difficulties you referred to
14 was the lack of a contact officer and communication difficulties. Is this a relatively
15 new thing in your view or has it been going on for some time?

16 MS KELLY: I think that it has always been recognised that there is a difficulty in that
17 many organisations get maybe five or six different grants from the Council and they
18 contact five or six different people and go through five or six different monitoring
19 processes for that. I think since the transformation programme began things have got
20 worse, but I do think there is a recognition within the Council that that is the
21 situation.

22 THE CHAIRMAN: That the situation has got worse, you mean?

23 MS KELLY: Yes.

24 THE CHAIRMAN: Thank you. Douglas.

25 MR SINCLAIR: Good morning. It would be helpful to get a copy of your submission.

26 Can I just take you back, given the picture you have painted of lack of
27 communication, of the voluntary sector not knowing who to contact and the other
28 difficulties you have outlined. You mentioned back in 2005 the compact for
29 Aberdeen, which is presumably the compact between the Council and the voluntary
30 sector which set out presumably the way that the two parts were going to work with
31 each other. Could you just describe what was actually in the compact and was there
32 a mechanism within the compact to review its effectiveness?

33 MS KELLY: Although the compact involved the City Council it was through the
34 Community Planning Partnership so it involved all the partners, but, yes, there was a

1 mechanism in it to go back and review it naturally. It was reviewed across the end of
2 last year and it was agreed that the compact was not effective and that it needs to be
3 rewritten, and we have been tasked to try to rewrite it and put more teeth in it by
4 December this year.

5 MR SINCLAIR: And why was it considered that it was not effective?

6 MS KELLY: I think we recognised that the reason it was not effective was faults on both
7 sides. There was not enough information went out with it, there was not enough
8 education as to what it was about, and people just did not know about it, both within
9 the Council and in the sector.

10 MR SINCLAIR: That is quite common. Can I also ask about the transformation
11 programmes because I am interested in this area. Do you think there has been a lack
12 of agreement or understanding of what the transformation programmes were actually
13 about? I get the sense from you that there is a perception that what the Council have
14 said to you is that this is an inward looking process that was essentially looking for
15 efficiencies, but it would appear or one could get the impression that it was more
16 than just efficiency saving, it was actually driving policy changes in terms of
17 eligibility. Was it the voluntary sector's understanding that the transformation
18 programme was simply to try to make the delivery of services more efficient rather
19 than necessarily to change the policy framework in which policies were being
20 delivered?

21 MS KELLY: We did not know. I think the feeling was that we just did not know what it
22 was all about; we just knew that there was change afoot. I think the feeling was that
23 the Council had a problem and were trying to fix it and so got together to try to do
24 that but we really did not know anything about it until after decisions had been made
25 and we had a briefing from a senior official.

26 MR SINCLAIR: You also indicated that you felt that you could have made a
27 contribution had you been involved earlier in terms of driving efficiencies and you
28 mentioned one of a public/private partnership. Are there other examples that you
29 could give where you think the voluntary sector could have played a part in helping
30 the Council to reduce its costs?

31 MS KELLY: It is difficult for me to give instances myself because we are a
32 infrastructure organisation, but certainly when I asked people to give me information
33 for coming here today another one that was mentioned was the fact that there seems
34 to be a culture within the Council of sending children with difficulties outwith

1 Aberdeen when there are places within Aberdeen but they will not be considered
2 because they are not Council. That is anecdotal, I do not know, but the feeling is that
3 we can be quite innovative and we could have, we would have worked together to
4 save services I think is what the feeling is within the sector.

5 MR SINCLAIR: But you would agree that public services do not have to be delivered
6 through the local authority; public services can be delivered in a variety of ways and
7 the voluntary sector is a key part in delivering services?

8 MS KELLY: Absolutely, yes.

9 MR SINCLAIR: Can I also ask, in terms of your point about confusion about who to
10 contact, and this may be more a question for the Council but it would interesting to
11 hear your perspective. The issue with the link officer, if there was a situation, and I
12 think you instanced where a voluntary sector might be dealing with four or five
13 different parts of the Council, was there one co-ordinating link officer?

14 MS KELLY: Not that I am aware of, no.

15 MR SINCLAIR: And you would have thought that was good practice, would you?

16 MS KELLY: Yes.

17 MR SINCLAIR: Thank you.

18 THE CHAIRMAN: Keith.

19 MR GEDDES: Just going back to the Aberdeen compact, 2005, you said that was a
20 compact between the community planning partners, of which you were one, and the
21 Council. Is that right?

22 MS KELLY: Yes.

23 MR GEDDES: Do you have a concordat between the ACVO and the City Council at all?

24 MS KELLY: No, we do not.

25 MR GEDDES: Do individual organisations that are funded by the Council have a three
26 year funding agreement with agreed outcomes?

27 MS KELLY: Not that I am aware of, no. It was spoken about in the compact but as far
28 as I am aware it was never implemented.

29 MR GEDDES: And is funding to the voluntary sector done on an annual basis just now?

30 MS KELLY: Yes, as far I am aware it is. Certainly that is how we receive our funding
31 and most organisations I know of, yes.

32 MR GEDDES: In terms of the recent reductions in voluntary organisation budgets what
33 was the consultation process before the reductions were implemented between the
34 Council and the voluntary organisations themselves?

1 MS KELLY: As far as I am aware there was none. My understanding is that
2 organisations were contacted as soon as decisions were made but I have not been
3 told of any organisations that were consulted beforehand, and we were not. In the
4 past we have always had a briefing about the budget decisions very soon afterwards,
5 sort of the day after the budget decisions are made. We had asked for it to be earlier
6 this year, we had hoped to get it round about October time, and that was through a
7 group called the Voluntary Sector Liaison Group. However, we have never been
8 able to put that in place, the Council seem to have been unwilling.

9 MR GEDDES: Can you say a bit about the Voluntary Sector Liaison Group and how
10 often that meets and what its functions are?

11 MS KELLY: The Voluntary Sector Liaison Group is a group that I think essentially, it
12 started before I came into post but my understanding is it was started as a way of the
13 voluntary sector getting a direct line in to elected members and senior officials. It is
14 a group that meets at least four times a year and has a set agenda, although the
15 voluntary sector can call a meeting at any time it needs if it feels the need. It has
16 been an effective group, it has been a good group, but it is also the group that was
17 tasked with developing the compact. The Voluntary Sector Liaison Group is
18 currently undergoing a review alongside the compact as to how we can make it more
19 effective and possibly link it in directly into Council policy and committees so that it
20 has more clout, I suppose. But essentially it is a group of voluntary sector
21 representatives, elected members and senior officials who meet to discuss issues of
22 relevance to the sector.

23 MR GEDDES: Is there a perception in the voluntary sector in Aberdeen, and this may
24 apply elsewhere in Scotland as well this time around, that the scale of the cuts, the
25 proportion of cuts in the voluntary sector has been greater than the proportion of cuts
26 in the statutory sector?

27 MS KELLY: There is definitely a perception that that is true, yes.

28 MR GEDDES: Thank you.

29 THE CHAIRMAN: Thank you, Keith. Iain.

30 MR ROBERTSON: I would like to ask you just to rehearse or elaborate a little on the
31 point you made about Scottish Charity One Plus because I did not understand quite
32 the point you were making.

33 MS KELLY: Scottish Charity One Plus was a big charity that went into liquidation and
34 OSCR have actually produced a case study on why that happened. The lesson to be

1 learned for funders was that organisations that fund services delivered by charities
2 should fund an appropriate proportion of core services; they should ensure their
3 evaluation and monitoring systems allow them to assess the charity as a whole; and
4 there is a list of things for charity trustees and such-like. But the gist of what OSCR
5 were saying, or part of what OSCR were saying was that although the whole
6 organisation was mismanaged perhaps the funders should have taken more
7 responsibility to ensure that funding was put in place so that trustees and chief
8 executives and such-like had time to understand what their obligations were as
9 trustees, the company law, the charity law, the types of things that quite often
10 trustees do not understand.

11 MR ROBERTSON: And you feel that clearly was not done in this case?

12 MS KELLY: Yes.

13 MR ROBERTSON: Thank you, that is fine.

14 THE CHAIRMAN: Thank you, Iain. Ann.

15 MS FAULDS: Could you tell me, has your organisation been involved in the
16 neighbourhood community action plan?

17 MS KELLY: The Council has tried very hard to get our organisation involved but we
18 just have not had the capacity. We are slowly beginning to get involved through
19 using representatives in the community but there are 37 neighbourhoods I think at
20 the moment and they meet a lot and it is proving to be very time-intensive to try to
21 get people to go and sit on these groups, but certainly we have been invited from the
22 very beginning.

23 MS FAULDS: Were you consulted on the draft plan as it was emerging?

24 MS KELLY: Yes.

25 MS FAULDS: Did you give input to it?

26 MS KELLY: Yes.

27 MS FAULDS: So it is the implementation stage that you are finding difficult through
28 resources?

29 MS KELLY: Yes.

30 MS FAULDS: Thank you.

31 THE CHAIRMAN: Thank you, Ms Kelly. Is there anything else you would wish to
32 add?

33 MS KELLY: No, thank you.

34 MR SINCLAIR: Could I just ask one more question.

1 I think you mentioned in reply to Keith Geddes that the funding in the voluntary sector
2 was on a year by year basis. Does that feel fair given the Council is now effectively
3 funded on a three yearly basis?

4 MS KELLY: No, we would always ask for three year funding wherever that is possible.

5 MR SINCLAIR: And would you be happy for that funding to be on the basis, as Mr
6 Geddes has indicated, of agreed outcomes in the sense of contract between the
7 Council and the individual voluntary organisations to deliver certain outcomes in the
8 same way as they might be with a private sector firm?

9 MS KELLY: Absolutely, yes. I am sorry, I maybe misunderstood.

10 I thought Mr Geddes said concordat. There are contracts, voluntary organisations do
11 have contracts with the Council, and service level agreements and grants, there are
12 various different ways of getting funds from the Council. But, yes, we would
13 certainly want some sort of paper work to be in place for every grant and award that
14 is given.

15 MR SINCLAIR: Thank you.

16 THE CHAIRMAN: Thank you, Ms Kelly. I was in the course of asking you whether
17 there was anything further you wished to add.

18 MS KELLY: No, thank you.

19 THE CHAIRMAN: Thank you very much for coming along and telling us your story.

20 Can I now ask Mr Paul Hannan, the Chief Executive of the Cyrenians, to come
21 forward and give us his evidence. Welcome, Mr Hannan. I gather you have an
22 opening statement, with the usual 10 minute limit. Would you care to introduce
23 yourself for the record.

24 MR HANNAN: Paul Hannan, Chief Executive of the Cyrenians in Aberdeen.

25

26 Opening statement by Paul Hannan, Chief Executive, The Cyrenians

27

28 The people of Aberdeen become aware of certain aspects of the mismanagement
29 of Aberdeen City Council when high profile issues hit the press. However, people
30 like me see what happens week in week out and there is nothing more frustrating
31 than working with this Council. If the Commission is only going to enquire of senior
32 staff and elected members then you will only get a very partial picture of what goes
33 on in this Council. You need to ask the staff to whistle blow and to get the real day
34 to day issues into the public domain. There is considerable anecdotal evidence of

1 managers padding out their budgets to safeguard against cuts, of there being
2 inappropriate financial controls in place, of workers being asked to do things that
3 they consider illegal and of money just being wasted.

4 I know that officials within the Scottish government are frustrated about the
5 Council delivering the goods. Aberdeen in the past has not got dedicated funding
6 because their applications have been so poor, not because there have not been needs
7 within the city. I know of others who have been round many councils in Scotland
8 who consider working with this Council as amongst their worst experiences. I
9 receive pity when people know I have to work with this Council.

10 The Cyrenians have considerable experience in relation to how Aberdeen City
11 Council manages the planning and delivery of services. We have not routinely
12 spoken out on all of our complaints, instead we have tried to influence how the
13 Council manages service delivery and strategic development through direct
14 involvement with the Council. Whilst the Council has moved to neighbourhood
15 structures and has to some extent developed community planning in relation to
16 neighbourhoods, they find it extremely difficult to engage with communities of
17 interest where these extend across the city. They seem to see voluntary organisations
18 as being out to self-perpetuate rather than seeing them as advocates for the needs of
19 the community.

20 Cyrenians service users state that we are able to provide the flexibility of
21 approach that appears to meet their needs. Yet the Council do not appear to want to
22 listen to these service users.

23 Although my detailed submission concentrates on how planning was done in
24 relation to homelessness we have experienced similar frustrations in relation to
25 drugs, alcohol, getting our priorities right, looked after children etc. For instance,
26 since the last chief social work officer left several years ago the Council has shown
27 little commitment to being involve din drug strategy initiatives until the recent SWIA
28 report on drugs. Generally the Council starts out on a course of action but rarely
29 follows it through. Groups like the Cyrenians spend considerable time and effort
30 contributing to such areas of work but very little happens.

31 In homelessness our experience is that the strategy has not been taken forward. It
32 has not been meaningfully reviewed. They changed the advisory group structure
33 without any improvements in how it operates. Operational matters such as issuing
34 contracts have been subject to unacceptably long delays and meetings are regularly

1 cancelled. At the moment I do not even know when the next meeting is due. Over
2 many years we have offered positive contributions to assist in this area and the
3 Council appears to ignore the criticisms from the D grade that they received from
4 Communities Scotland's inspection, particularly in relation to involvement of
5 partners.

6 The Council appear to know that they want to spend less money but I see little
7 evidence of them knowing the range of services that are required and in what
8 proportion they want these. I have rarely seen concrete outlines of services along
9 with the rationale for these. They want improved services for people with substance
10 misuse problems but are cutting wrap around services that contribute significantly to
11 meeting some of these needs. They want improved outcomes but do not understand
12 the current outcomes that are achieved.

13 We were invited to a consultation event on the adult transformation strategy but
14 wrote afterwards expressing our concerns with this process and the fact that a press
15 release had been issued prior to it, making a nonsense of any pretence at
16 consultation. Is it little wonder that there is no buy-in?

17 A number of reports on Aberdeen City Council have criticised its management as
18 weak and they have indicated that the ability to move forward with their vision has
19 been held back. It is our contention that the very staff who are charged with
20 implementing the Council's vision have not shown leadership nor basic management
21 skills in that they have not consistently engaged with organisations like the
22 Cyrenians in a professional way.

23 Other voluntary sector organisations have stated similar frustrations in terms of
24 little progress being made on issues, the difficulty in identifying who to relate to, and
25 the heads of service and above not having the professional understanding of issues to
26 take them forward. For instance, we have never had any contact with the head of
27 service for social work since the person was appointed two years ago.

28 Voluntary sector organisations have expressed the view that they did not want to
29 complain too much or too publicly as they felt that they would be dealt with more
30 harshly if they took such a stance. The Council are viewed as bullies and I have
31 complained formally about bullying. The Council also do not like people protesting.

32 We see no signs that their communication with other agencies has improved or will
33 improve.

34 We recognised that the Council was going through a process of change and we

1 were proactive in engaging with the new senior staff from 2005 onwards. The
2 Council expressed a desire that both parties would engage in more collaborative
3 ways of working, putting in place robust mechanisms to ensure the development of
4 our partnership in relation to operational and strategic matters and setting up a key
5 contacts scheme. This has not happened.

6 Not surprisingly, we are very concerned about the huge cut of £880,000 in the
7 funding to the Cyrenians, and that came out of the blue. We have concerns about
8 how the Council has made the decision on this matter, particularly as they state in a
9 freedom of information response that there is no information recorded anywhere on
10 how they came to the figure of £880,000, despite the involvement of nine senior
11 officials in drawing up the committee report.

12 The report to the Council proposed a cut in social work funding and indicated that
13 resources would be required from Supporting People and/or Housing. The only
14 impact assessment, dated December, repeats that there would be no impact from this
15 social work cut if the funding was got through housing. Through our intervention
16 the recommended action was changed but Council officials appear to have still just
17 worked on their interpretation of the original recommendation. They then included
18 the cut in the base budget despite the agreed recommendation being that the
19 Cyrenians services would be reviewed, and no review had been carried out in the
20 subsequent 18 months. The whole process causes me grave concerns about public
21 accountability. Is the Council clear about the decisions it makes? Do officials act on
22 actual decisions and do they report accurately to elected members?

23 I have heard elected members make statements about the Cyrenians which are not
24 based on facts and I wonder to what extent this comes from inaccurate reporting
25 from officials or officials not correcting factual inaccuracies. Even yesterday in
26 Councillor Dean's opening remarks about the Fonthill project she seemed to give the
27 impression that the problem for them was that it added to their budget. The issue
28 was not about the budgets in any way; this service was commissioned by them from
29 the Cyrenians and the argument was about where the project was to be located,
30 nothing to do with money whatsoever.

31 Talking about voids yesterday another issue that was not added in to the equation
32 which has made the situation a lot better for the Council is the huge number of
33 allocations that have been given to Eastern European people and people from the
34 Baltic States. The Council want to connect issues where things are meant to have

1 improved but they do not connect the issue in relation to homelessness assessments
2 where the situation has deteriorated considerably, where people now have to wait
3 four to six weeks for an appointment from the Council.

4 All of what I have submitted and said so far demonstrates inefficiency and
5 ineffectiveness through not carrying through decisions and wasting resources in the
6 process. Where is the continuous improvement? Things are getting worse, not better
7 with this Council. The lack of review and the lack of knowing what is required
8 means that the Council cannot possibly improve what they are doing. This coupled
9 with their lack of responsiveness to others, their unwillingness to engage in
10 meaningful consultation and poor joint working means that it is highly unlikely that
11 they can achieve best value.

12 The Cyrenians have had a range of services commissioned by Aberdeen City
13 Council over many years. Each year we have submitted annual accounts, an annual
14 review, and latterly more specific monitoring information. The Council has rarely if
15 ever asked to meet with us to consider the operation of specific areas of work. Each
16 year we have just been asked to submit budgets. Any requests to meet to discuss the
17 operation of services has come from the Cyrenians.

18 Statement after statement has been made about reviewing the services provided
19 by the Cyrenians and even when changes in funding were dependent on such a
20 review these have never happened. In the absence of a review we put forward a
21 range of proposals that would assist the Council to transform current services and we
22 await further meetings on this.

23 The Council appears to operate double standards when it comes to Best Value, or
24 is that value for money? I think they seem to confuse the two. It does not appear to
25 apply the same standards to its own services as to services commissioned externally.

26 One example was where they would not increase the hourly rate of a service
27 provided by a charity and they took the service in house, paying themselves more
28 than they paid the charity. Another was in relation to a service handed back by a
29 housing association where we understand they are now paying more to the private
30 sector provider. It also appears very arbitrary which services are commissioned
31 externally and they do not appear to have formal procedures in place for
32 commissioned services. (I know I am going over my 10 minutes.)

33 THE CHAIRMAN: Could you perhaps just take another two minutes, Mr Hannan?

34 MR HANNAN: OK.

1 The Council makes comment on and queries management costs within the
2 voluntary sector, yet appears unable to quantify their own management costs in
3 relation to the delivery of service. The Council has received ring fenced funding
4 from the Scottish Executive over the past five years and this funding has consistently
5 been underspent and we do not know where the balance of that money has gone to.

6 Yesterday we were talking about implementing the cuts and we were told that it is
7 vital this is done. If this is so, how come that we have had to draw up the agenda for
8 the meetings that we have had with the Council. We have had to prepare the
9 proposals about what the cuts should be; we have had to chase up the dates for
10 further meetings; and when we asked them to provide information at a meeting we
11 have not had it. We do not know when the cuts will happen from, so how are they
12 going to implement it?

13 THE CHAIRMAN: One more minute, Mr Hannan.

14 MR HANNAN: It is clear to me that the Council officials do not appear to be able to
15 construct realistic action plans. For instance, they want everybody who comes to the
16 Cyrenians, 2,000 people, to be assessed by the Council prior to them coming to the
17 Cyrenians. They do not have the resources to do that. We need to look at what the
18 money is actually spent on.

19 The Council talked yesterday about having robust procedures in place in relation
20 to the sale of property but what about properties that they lease out? We have not
21 been invoiced for the last six months for one of these properties and I assume that is
22 because the lease was terminated. On Monday we received a cheque for £7,000
23 from them in relation to the drugs, alcohol and HIV forum and we have not dealt
24 with their accounts for two years. The Council are really in control of their
25 procedures, are they not?

26 The Council does not consult, it does not manage effectively, it wastes resources,
27 it overspends, but reduces funding to commissioned services who stick within their
28 budgets. Aberdeen City Council does not appear to have taken forward the action
29 plans from external reports and if they cannot act responsibly in relation to external
30 regulators who might have more detailed knowledge how can the general public trust
31 them? The senior officials and councillors have been given every opportunity over
32 the last few years to address important issues. They have not done so and there is no
33 evidence that they can or will do so in the future. They have failed the people of
34 Aberdeen.

1 THE CHAIRMAN: Thank you very much. Can I just reassure you that to the extent that
2 I have cut you short and it is not covered in questions you will have another
3 opportunity at the end to say anything else you might wish to say. It is important to
4 hear everything you have to say but I was keen to pursue the questioning which
5 might take care of some of the points you were making.
6 Let me therefore start by asking the same question that I asked the last witness as
7 a starting question. You have a lot of criticisms there, clearly, of the Council. How
8 far back do these criticisms go? Is this a long extended period or is it a very short
9 period since transformation strategy, or where is it?
10 MR HANNAN: It is certainly over the last three or four years that we would have our
11 main criticisms of the Council.
12 THE CHAIRMAN: And what changed, say, in that last three or four year period to cause
13 these criticisms to arise?
14 MR HANNAN: I think one was the taking away of specialist or professional people, say
15 in social work, that I think is an issue; knowing exactly who to go to now in relation
16 to different issues is certainly part of that; and I think there are certainly aspects of
17 the neighbourhood structure which do cause us difficulty.
18 THE CHAIRMAN: Thank you. No doubt I think my colleagues will be keen to pursue
19 some of that with you in a moment or two. You mentioned at the beginning of your
20 presentation one or two issues - poor financial controls, money wasted (I am quoting
21 you), the Council should be asking staff to whistle blow etc - and you mentioned that
22 you had anecdotal evidence of this. I suppose I am bound to ask you this: do you
23 have any more substantive evidence than mere anecdotal because it is difficult to
24 take into account anecdotal evidence.
25 MR HANNAN: I am well aware of that, just in the same way as the anonymous
26 information you got, but I think there are hints there that need to be explored and
27 there needs to be a method of exploring those.
28 THE CHAIRMAN: I understand; thank you. You mentioned at paragraph 3.10 of your
29 submission, for which I should have said many thanks earlier, and I just want to
30 quote it to you to then follow it with a question. I will not quote it, I will summarise
31 it. You say that on 5th July 2006 one of the Council officials wrote to you and said,
32 "I want to assure you that we all recognise the importance of the relationship
33 between the Cyrenians and ACC. We are setting about putting in place measures to
34 try to ensure we build a relationship that adds value to our organisations. We have

1 been busy with all the internal issues related to the structural but the next step is that
2 we intend to notify key organisations in the city very soon of our intention to set up a
3 'key contact' scheme". And then you go on to say no key contact was ever set up.
4 This is an example of the lack of follow-through I think you are giving us there.

5 MR HANNAN: Yes.

6 THE CHAIRMAN: You also mention that meetings have been cancelled as another
7 example. Has any reason been given to you why meetings are cancelled or why in
8 your words there has been no follow-through?

9 MR HANNAN: No.

10 THE CHAIRMAN: No explanation whatsoever?

11 MR HANNAN: No explanation at all.

12 THE CHAIRMAN: All right, thank you. You mentioned again, and I am pursuing
13 substantive evidence if I can, you mentioned or hinted at bullying.

14 MR HANNAN: Yes.

15 THE CHAIRMAN: Is there any substantive evidence?

16 MR HANNAN: There is substantive evidence. I have put in a formal complaint to the
17 Council in relation to that.

18 THE CHAIRMAN: Yes, indeed.

19 MR HANNAN: I have heard a councillor say things like "not biting the hand that feeds
20 you". Some people got hold of some particular information and they were then
21 coming back saying, "Paul Hannan gets sixty thousand a year and he's only in it for
22 the money". There were attempts to discredit people. We were accused of taking
23 down one of the fences around Marischal College when we had a protest when the
24 Council took the fence down themselves.

25 There is a range of these minor things which I think are all about attempts to
26 discredit and certainly I organised a meeting of quite a number of voluntary sector
27 organisations a year or so ago in terms of looking at cuts and things like that and
28 most of them said they were not prepared to stick their head above the parapet
29 because they felt that they would be adversely affected by doing that, so they fear
30 bullying.

31 THE CHAIRMAN: Thank you very much for that. I will pass on now to Douglas
32 Sinclair.

33 MR SINCLAIR: Good morning. There are a couple of points I would like to pick up.
34 What is your understanding of what is meant by the transformation strategy?

1 MR HANNAN: I have read all the documentation. Essentially I think there are two
2 major aspects. One is related obviously to finance and the Council cannot afford the
3 range of services that they currently provide. Within the strategies they want to
4 change the way services are delivered, so they are looking to reduce the level of
5 residential care, for instance, and concentrate more on home care, changing the kind
6 of overall practices, but normally with the notion that one thing is cheaper than the
7 other, which is not actually the case; I do not think it has been looked at overall.
8 But generally it is about doing things differently.

9 MR SINCLAIR: So it is both looking at policy and looking at the scope for efficiency?

10 MR HANNAN: Yes.

11 MR SINCLAIR: And do you think that is well understood by the voluntary sector?

12 MR HANNAN: I do not think it is well understood by everybody in the voluntary sector.
13 I have taken time to look at those types of issues and I have the capacity to do that
14 that not every voluntary organisation will have. Maybe some of the larger ones will
15 all understand that but certainly a lot of the smaller ones would not.

16 MR SINCLAIR: And in looking at the transformation strategy do you think from what
17 you have said that you are not of the view that the Council is open in terms of Best
18 Value, which is option appraisal, in terms of its view as to whether something should
19 be in house as opposed to maybe delivered by the voluntary sector?

20 MR HANNAN: I have never seen any consideration as to how
21 they will determine whether something goes in house or ---

22 MR SINCLAIR: So there is no objective framework?

23 MR HANNAN: I do not think so, no.

24 MR SINCLAIR: I was also interested in the comment you made about the difficulties,
25 and the previous speaker alluded to this, the difficulties for the voluntary sector in
26 terms of capacity to cope with the new neighbourhood structure and the fact that
27 many voluntary organisations are organised on a city-wide basis. Would you like to
28 say a little bit more about that?

29 MR HANNAN: Obviously it does depend very much on the nature of the services and
30 the service delivery as to how people can be involved in the neighbourhood
31 structures but the neighbourhoods also do not have a focus maybe on, say, things like
32 homelessness, it is a central thing, so how do you give your time to the
33 neighbourhoods when it should be dealt with in the neighbourhoods as well because
34 there are issues. It is about trying to be able to spend time with a variety of different

1 areas.

2 The meetings I tried to set up with the Council in 2005/2006 were trying to look
3 at how we were involved in that structure and we never really got anywhere in
4 relation to that. And even where we are involved in those strategy bits they are not
5 getting anywhere, so trying to commit to doing things in three neighbourhoods when
6 you are not getting anywhere city-wide is difficult as well. You need an incentive
7 that your involvement will actually be worthwhile as well.

8 MR SINCLAIR: What is your general view of the new structure?

9 MR HANNAN: I am not really sure that it is working at all.

10 MR SINCLAIR: Is that because you think it is too early to come to a view on it?

11 MR HANNAN: No. I think some of the issues that were raised yesterday about the lack
12 of certain professionals in this sphere, I think quite a number of the heads of service
13 do not have enough professional knowledge of some of the issues and therefore do
14 not have an understanding of the day to day stuff to be able to take forward these
15 matters.

16 MR SINCLAIR: Thank you.

17 THE CHAIRMAN: Iain.

18 MR ROBERTSON: Mr Hannan, you mentioned ring fenced funding there and you have
19 also mentioned it in paragraph 4.16 of your submission where you say: "Aberdeen
20 Council has received ring fenced funding from the Scottish Executive/government
21 over the past five years and this funding has been consistently underspent. We do
22 not know where the balance of these funds are held which would amount to at least
23 £100,000 per annum or whether they being utilised for other purposes". Can you be
24 more specific about which ring fenced funding you are referring to so that this matter
25 can be looked into?

26 MR HANNAN: Homelessness ring fenced funding.

27 MR ROBERTSON: Thank you.

28 THE CHAIRMAN: Thank you, Iain. Keith.

29 MR GEDDES: I am struck by the fact that the majority of the 37 appendices that you
30 have given us -- thank you very much for the 37 appendices, by the way - I am struck
31 that the majority of them are communications between yourself and senior officials.
32 The real decision makers are not the senior officials, the real decision makers are the
33 politicians. What sort of communications have you had between yourselves and
34 appropriate leadership politicians?

1 MR HANNAN: Quite a lot of these communications were also to the councillors as well
2 and at times, I think prior to 2003/04 generally our communication with elected
3 members was very good. As was said yesterday the issue over Fonthill was quite
4 divisive and caused a lot of issues, and since then the relationship that we have had
5 with some officials has not been very good. That is also then dependent on, we may
6 have had good relationships with people while they were in opposition but when
7 they go into power they are then having to implement policies and the relationship is
8 not quite so good. But we have tried regularly, we provide regular information to
9 elected members, providing them with reports; we have offered them opportunities
10 to come around to our projects to get more information and any time we have sent a
11 report to councillors we have had little response from that, when we send an email to
12 councillors very few ever respond.

13 MR GEDDES: In paragraph 4.3 of your submission you say here that in November 2006
14 you actually found out from the local press that the Council was considering a
15 recommendation by the then temporary chief social work officer to cut your budget
16 by 50 per cent. Was that literally the first time you were aware of that?

17 MR HANNAN: Yes.

18 MR GEDDES: The final question I have in relation to your submission is, in paragraph
19 2.7, going back to communications with elected members, you say that you sought
20 the opportunity to speak directly with elected members on 9th April to raise concerns
21 but you were not permitted to do so. Why was that?

22 MR HANNAN: That was, we asked for a deputation at the Council meeting and the
23 Lord Provost rules that we were not able to do it. We did subsequently have a
24 deputation to, I think it was, the Resources Management Committee.

25 MR GEDDES: Thank you very much.

26 THE CHAIRMAN: Ann.

27 MS FAULDS: Mr Hannan, can you tell me about the frequency of contact between you
28 and the Council? There are quite a lot of letters, emails, lots of meetings. How often
29 are you in contact with the Council?

30 MR HANNAN: It depends, at different times it varies, but not myself personally all the
31 time but we were involved in a whole range of strategies and meetings with the
32 Council and I would imagine at least once a week that either myself or one of my
33 senior staff are involved in some kind of meeting with the Council.

34 MS FAULDS: How many requests have you submitted to the Council under the freedom

1 of information legislation?

2 MR HANNAN: Recently, quite a few.

3 MS FAULDS: Thank you very much.

4 THE CHAIRMAN: I have just one further point and it pursues something that I was
5 looking at a moment or two ago with you. Paragraph 4.2 of your submission talks
6 about the City Council having commissioned consultants but the consultant work
7 was abandoned, I think you say it was not finalised and this is the second time this
8 has happened. Was any reason given to you for that position?

9 MR HANNAN: No.

10 THE CHAIRMAN: Mr Hannan, I earlier on said to you that you would have a proper
11 opportunity to do any summing-up you wished to make. Do you want to take just a
12 few seconds to gather your thoughts and then give us any other points you wish to
13 make to us?

14 MR HANNAN: There are no other major points. I have presented obviously
15 considerable information in writing to you. I suppose finally I would like to take
16 issue with the comments that Councillor Neil Fletcher gave that were supported in
17 the press where he said that the people protesting were taking succour from holding
18 back change. We have consistently put forward proposals for change. We want
19 change, but we want change away from the many bad practices that blight Aberdeen
20 City Council.

21 THE CHAIRMAN: Thank you very much again, Mr Hannan, both for
22 coming here today and also for your very full submission to us.

23 Ladies and gentlemen, we now move to our last witness, Mr Sultan Feroz of
24 Aberdeen Trades Union Council, if I could ask Mr Feroz to come forward. Good
25 morning to you; welcome. Could I ask you please to state your name and position
26 for the record.

27 MR FERROZ: My name is Sultan Feroz; I am the Secretary
28 of Aberdeen Trades Union Council.

29 THE CHAIRMAN: Do you have an opening statement?

30 MR FERROZ: Yes.

31

32 Opening statement by Sultan Feroz, Secretary, Aberdeen TUC

33

34 MR FERROZ: Mr Chairman, members of the panel, good morning.

1 Aberdeen Trades Union Council is a non political organisation and I myself do not
2 belong to any political parties, so whatever I say in my statement is not biased
3 towards anybody or any particular parties. But on the other hand Aberdeen Trades
4 Union Council always promotes and supports people who are exercising democracy
5 and we always support and defend the human rights, the worker rights and also civil
6 rights for any individuals or organisations who have been deprived either from the
7 present administration or previous administrations or from anything in our society,
8 locally, nationally and internationally. We always support democracy.

9 Since we have been engaged I as a main organiser of Aberdeen Trades Union
10 Council have arranged three public meetings bringing everybody round the table,
11 including all the organisations which have been affected by the budget cuts and all
12 the political parties, MPs, MSPs, all the councillors from the present administration
13 and previous administrations.

14 Also I arranged two public marches. The first one was all...most... on the CCTV
15 police record, over eight and a half thousand people participating including all the
16 organisations that have been affected from the budget cuts, the councillors, the MPs
17 and MSPs from all the political parties. The other not political but public march was
18 under the banner of Mayday and also under saving our services where almost two
19 and a half thousand people participates and the speakers consisted of all the
20 organisations that have been affected and also the councillors, MPs and MSPs from
21 all the different political parties.

22 In conclusion from what we gathered, the information and what we gathered from
23 all the facts and figures from the present and previous administration, also from MPs
24 and MSPs and from employees of city councils and from the organisations being
25 affected by the budget cuts, we established that there was a total lack of
26 communication, lack of information, lack of supervision and lack of consultations.

27 Due to information we received it was clear that the consultation was consulting
28 with the wrong people. They said they were employing consultants. They were
29 spending fortunes on the wrong consultants but did not consult with the right
30 organisations such as us. We can consult, we can offer our consultations on a free
31 basis, without money. We have got consultants from MPs, MSPs, councillors, ex-
32 councillors, accountants, legal figures, so we can advise free the City Council which
33 we have done before and we do it to anybody for the benefit of our society and the
34 benefit of our city for progress of democracy, but we never received any

1 communication from the present administration.

2 Also the lack of communication of information given to their own employees and
3 given to their own councillors I think brought our city to crisis. I know fully that
4 what information I am giving you, that is completely neutral based on the facts, but
5 the previous administration stated that they left a balance of £11 million in the
6 pocket which on accounting basis or on a (*inaudible word*) basis open balance or
7 flow, as you call it, or budget that you can work on as a starting point.

8 So that £11 million has to be established and it is not my job obviously, you have
9 got the best capacity and ability to establish whether that was £11 million, and some
10 figures say between £11 million and £17 million was left on the balance. So that one
11 has to be in the public domain and I hope you draw your conclusion from my
12 information.

13 THE CHAIRMAN: Thank you very much. I will ask the same question I have asked the
14 last two witnesses in terms of some of your complaints, lack of communication, lack
15 of information, lack of consultation, lack of supervision, and you indicated this had
16 come from a number of sources which you explained earlier.

17 MR FERROZ: Yes.

18 THE CHAIRMAN: Do you have hard evidence we could use, either now or later?

19 MR FERROZ: We have had public meetings in both the present and previous
20 administrations and also the organisations being affected from the budget cuts, and
21 the previous and the present councillors actually say that they do not receive enough
22 information regarding the budget cuts. Information is received at the last minute, has
23 never been debated properly, has never been discussed and never been negotiated
24 with the organisations. Everybody is for change. Aberdeen Trades Union Council
25 always moves with the times and I believe everybody should move with the times,
26 but providing that you consult with the people you are surrounding.

27 THE CHAIRMAN: All right. That is a question I wanted to put to you. To the extent
28 that you have other evidence that you might want to submit could I ask you to do so,
29 if you have it, off line, not necessarily right now.

30 MR FERROZ: I can easily submit by writing to you but the figures we received from the
31 councillors from previous administration was that they left in a very healthy
32 situation. They have been blamed, at every public meeting we have had the present
33 administration was blaming the previous one, so the previous one said, "You can't
34 live in the past, you are in charge at the moment and you have to make decisions for

1 the good of the people and for the good of our society, you cannot live in the past.
2 Whoever made a mistake made a mistake; you must move on"; but due to all that
3 mistake, they never admitted it but they said, "We left you a good balance to work
4 on".

5 THE CHAIRMAN: Thank you. Douglas.

6 MR SINCLAIR: Good morning. It is clear from what you have said that you believe the
7 level of confidence, the level of trust that the public has in the Council has been
8 seriously eroded and the lower, I suppose, at the end of the day is the city of
9 Aberdeen. What kind of steps do you think should be taken to recover the city's
10 reputation? What would you suggest?

11 MR FEROS: I would consult with more professionals and with organisations like us that
12 can provide on a free basis any consultation which is good for our society and will
13 affect all the organisations, and if any change has to be done it has to be done
14 collectively.

15 MR SINCLAIR: Thank you.

16 THE CHAIRMAN: Are there any other questions from my colleagues? No. Mr Feros,
17 thank you very much. Is there anything else you might want to leave us with as a
18 closing statement?

19 MR FEROS: No, that is OK. I can leave my statement with you.

20 THE CHAIRMAN: That would be helpful. Thank you very much indeed for coming
21 along.

22 At this stage, ladies and gentlemen, having heard all the witnesses, we did agree
23 yesterday that the Council should have the right of reply to any points that have
24 arisen during the giving of evidence. So can I invite the representatives of the
25 Council now, please, to come forward and to make their closing statements. I should
26 also say that we may have one or two questions but only one or two as a
27 consequence of the closing statements. Again for reasons of record, Councillor
28 Dean, could I ask you to introduce yourself and your colleagues.

29 MS DEAN: Thank you. I am Kate Dean, Leader of Aberdeen City Council. On my
30 right is Douglas Paterson, Chief Executive; Kevin Stewart, Depute Leader of the
31 Council; and John Tomlinson, Corporate Director for Neighbourhood Services
32 North.

33 THE CHAIRMAN: Thank you very much. You have a statement, I gather.

34 MS DEAN: Can I further introduce Dr Abigail Tierney,

1 Corporate Director for Strategic Leadership. I think Douglas will start us.

2 MR PATERSON: In terms of taking up your offer to make a closing statement and to
3 respond to some of what we have heard, what we would propose to do, with your
4 approval, and we will attempt to keep it time limited, is to have John Tomlinson,
5 who has been introduced to you, deal with some of the factual inaccuracies that have
6 arisen. Abigail Tierney will deal with some of the issues that have arisen around the
7 question of the interface between the strategic and the operational side of the
8 Council. With your indulgence I would also like Ewan Sutherland, who is our Head
9 of Service for HR, to talk about what we are doing in relation to the staffing issues.
10 We are trying to address the key things that you have raised quite rightly over the
11 last 36 hours or so, and then Councillors Stewart and Dean would conclude for the
12 Council. Is that acceptable?

13 THE CHAIRMAN: That is fine. It is important that everyone
14 feels they have had a fair hearing.

15 MR PATERSON: OK. Before we move to John in terms of factual inaccuracies, just
16 one or two things that have arisen this morning, and I have a sense that there may be
17 critical misunderstandings about dates and events which we need to keep putting
18 right.

19 In relation to what is becoming known as the new structure and timing that
20 around the last few years, what is known as the new structure in its key elements
21 came in in 2001/02 with the total support of the Council then, it went through
22 unanimously, and that was when the major shift from a traditional professional
23 structure to the new one came. What happened in 2005/06 was a second phase of
24 that which was actually set out and agreed unanimously by the Council in 2001.
25 These time periods are actually quite critical to the history of events and how they
26 have rolled out.

27 A second factor that has arisen this morning in specific terms and it has arisen in a
28 more general way is about the nature of the professional qualification of our heads of
29 service. The point was raised by Mr Hannan that as he saw it part of the problem
30 was that we did not have or we did not have as many heads of service qualified in
31 social work. That is not the case. The number of qualified social work heads of
32 service now is the same as it was before 2005/06 and if I remember rightly it is the
33 same as it was before 2001/02.

34 We have been very careful to make sure that professional advice was available

1 within the Council and again if you read back through the papers it is quite clear that
2 the councillors were aware of the risks around that. As I attempted to argue
3 yesterday it may actually be that some of the confusion that staff are alleging has
4 been caused by the fact that we were over-cautious in those.

5 The final point, and it is one of detail but it is a matter of ethics for me, was that
6 Mr Hannan raised the issue of bullying. He raised the issue of bullying with me, not
7 by me but with me in terms of Chief Executive. There were no specifics in his letter.

8 I wrote back to him immediately making it clear that bullying was not something
9 that I would tolerate and if he could give me evidence I would see that it was dealt
10 with. I have had no such evidence. I think you need to know that latter part of the
11 story as well as the fact that the issue was raised.

12 Can I pass, then, to John Tomlinson to deal with some of the factual stuff because
13 there are some fairly major issues that need to be clarified for yourselves and for the
14 public.

15 THE CHAIRMAN: Yes, indeed.

16 MR TOMLINSON: Thank you very much. I will not take too long in this. What we
17 would want to do is provide points of factual accuracy in relation to the submissions
18 that you have received yesterday and subsequently today. All I want to do is, there
19 are a number of those where because this is in public we feel we should just
20 comment on today, and I will do those quite quickly.

21 First of all there was a suggestion that the area committees are not considering
22 significant items in relation to their areas. Northfield Academy was suggested. In
23 actual fact the North area committee considered that issue at its last two committee
24 meetings on 19th February and on 15th April.

25 In terms of capital projects and the revenue implications then I can say that the
26 revenue implications of the Marischal College project have been fully costed and
27 budgeted and budgets forecast and that is the standard that applies.

28 In relation to comments around the added bureaucracy and costs, just factually,
29 the move from 10 to six directors saved the Council some £515,000 annually. The
30 move from 28 heads of service to 25 is costed at some £250,000 annually.

31 The other item I want to mention is, there was a suggestion that trade unions were
32 not provided with information on market testing details. That information was
33 provided both in relation to committee report and in relation to discussion with the
34 trade unions at a management/union/agency meeting and the offer is there to follow

1 that up, and indeed I will be doing that.

2 The final point from yesterday is the use of reserves; it is an important point. £12
3 million has been used from reserves over three years, not £70 million, which was
4 being used as a figure yesterday. The 70 million figure was not put into its context.
5 For example, it includes significant transfers from the capital fund to meet one-off
6 compensatory payments relating to single status.

7 Not scripted for me to come up with but there were obviously some significant
8 issues that have been raised today, again in public, and I think we are conscious that
9 we will need to go back robustly on those to give to yourselves but also in the two-
10 way street that our relationship needs to be with the organisations that have
11 presented those. I am aware of a number of significant factual inaccuracies in what
12 has been presented.

13 THE CHAIRMAN: Of what has been presented this morning?

14 MR TOMLINSON: Yes.

15 THE CHAIRMAN: Is it possible for you while we go on with the other discussion to
16 give us a summary of those?

17 MR TOMLINSON: Just a flavour, on the ones which you yourselves picked up on ---

18 MR STEWART: Sir, I will be dealing with some of those in mine because there was a
19 very serious allegation about £100,000 worth of funding on two financial years,
20 which I will cover later, if you do not mind.

21 THE CHAIRMAN: That is perfectly fine by me. Is there anything else you want to say?

22 MR TOMLINSON: I should probably mention that in terms of offers to be involved in
23 consultations, those are there and evidenced, and offers to be part of the key account
24 management scheme, those are documented as well, but we do not really want to get
25 into tit for tat. This is about relationship building after this event.

26 THE CHAIRMAN: Indeed.

27 MR TOMLINSON: If I can hand over to Abi just to mention, she did talk about the
28 strategic and operational interface yesterday and that is obviously a key issue, as you
29 were teasing out. I would just like to emphasise that as one of the area directors we
30 are currently using the transformation strategies into the team plans, the team plans
31 being at the level of housing, social work, environmental teams etc, and taking that
32 into the performance measures, into the key projects and into the cash limited
33 budgets. I just think I should put that on record in terms of the joint work that is
34 creating that.

1 THE CHAIRMAN: Thank you.

2 DR TIERNEY: Thank you. It is really just to take the opportunity to summarise what I
3 said yesterday and what John has just picked up on. The work that we have been
4 doing in strategic leadership to develop strategies and policies, we absolutely realise
5 that the people who really know how to improve the Council and how to improve the
6 services of the Council are front line staff, and we are working hard and have been
7 working hard to involve front line staff in policy and strategic development.

8 As the transformation programme has evolved that has become stronger and, as I
9 said yesterday, we have written evidence from front line staff about how much they
10 have valued that involvement and how that is enabling the continuous improvement
11 to really start to gain traction at the front line.

12 We are now at the stage, having developed strategies with the front line staff, of
13 embedding these policies and strategies in their everyday work and to actually drive
14 the improvement through that. As John said, we have provided all the operational
15 teams with what we are calling strategic context folders. These include all the key
16 legislation and all the key local and national policies that they need to be aware of
17 and working to as a team, so they have that available and they are also all available
18 on the zone.

19 We have also set for all our KPIs city-wide targets over the next three years that
20 will take us through to 2010 and when achieved will ensure that we would be a
21 leading council in Northern Europe. So the next step is that the teams will be saying
22 in terms of that performance, "Where do we need to be as a team in 2010 to have
23 contributed to that performance and that level of improvement?" That is the work
24 that is taking place right now as well as looking at the policies and the strategies and
25 the legislation that they need to be working to and what that will mean for them in
26 terms of improvement every day.

27 So, to conclude, it is really important to us that we have a really strong link
28 between strategic and operational. We have a front line back or a bottom up process
29 that influences strategy, influences policy and influences transformation in the
30 Council and, most importantly, influences strategic planning. We know where we
31 are now, we know there is a gap between aspiration and reality, but we also have a
32 road map that will take us where we need to be in three years' time and we are
33 working hard to communicate that to the staff and to help them in their hearts and
34 minds.

1 The key to that is actually they have helped create that, so they own it and they
2 understand it, and we realise we are not there yet but we are working and will
3 continue to work to ensure that that is there. So we have now a 30 month plan that
4 takes us through month by month where we need to be. Thank you.

5 THE CHAIRMAN: Thank you.

6 MR SUTHERLAND: For the record, I am Ewan Sutherland, Head of Human Resources.

7 Chairman, I will talk you through very quickly what we are doing in terms of
8 raising morale and motivation of the work force with particular reference to the
9 transformation programme. This will be a brief run-through, there are quite a
10 number of actions ongoing, so this will be a flavour of what we are doing.

11 What we are doing probably comes down to four major headings: management
12 skills and competency; communication; recognition of achievement; and employee
13 support both for equal pay and modernisation for single status and the transformation
14 programme.

15 For management skills and competency we are training our managers to better
16 understand their role in terms of motivation, inspiration and leadership. We are
17 encouraging managers to better contextualise the messages that come out of the
18 corporate centre, to add a local dimension so the change is real to our employees, not
19 something that is just done to them. We are operating a system of 360 degree
20 appraisals for senior staff to raise their self awareness in terms of their own personal
21 effectiveness.

22 We have devised a competency framework with four specific management
23 competences and we are testing those of recruitment in terms of job descriptions,
24 personal specifications. We have brought assessments centres for senior
25 management posts and tested those competences also. We really want to bring into
26 the organisation people willing to motivate and inspire staff.

27 We are spending a lot of time in communication. We are looking at the way we
28 communicate with our employees. We are looking at, for example, making some of
29 the communication more light-hearted. In the past there was a lot of good feedback
30 about some of the personal interest stories we run in the staff newsletters; we are
31 looking to reintroduce that.

32 In terms of recognising achievements we continue to run two corporate
33 recognition of achievement ceremonies a year. These ceremonies recognise
34 achievement from large number of employees in a range of different factors,

1 including external qualifications, contribution to significant corporate achievements
2 and, importantly, contribution to customer services. Linked to that we are
3 encouraging a management style which actually recognises good work and
4 performance as it happens.

5 In terms of support we are offering employees in terms of equal pay and
6 modernisation we are specifically targeting individuals who suffer pay reduction.
7 We are looking to re-engineer their posts during the course of a three year protective
8 period, to add value into their posts to ensure they come out of protection as quickly
9 as possible.

10 Specifically on the transformation programme I believe we are taking a holistic
11 approach to staff support, ranging from re-drawing the Council's culture statement to
12 ensure that it describes the organisation that we want to be in terms of attitudes,
13 behaviours, relationships. In terms of employee development we are going to
14 continue to offer a whole range of development opportunities for employees at all
15 levels in the organisation. We are looking to further develop team and individual
16 plans to ensure that the key link between individual, team, service and corporate
17 plans is absolutely robust.

18 In terms of service improvement groups we are looking to involve employees at
19 all levels in the transformation teams and for services not directly involved we are
20 encouraging them to set up their own improvement groups to look at improvement of
21 service delivery and addressing any remaining inefficiencies.

22 In terms of workload you heard yesterday from the trade unions that they believe
23 this to be a major impediment to improved motivation and morale. We are working
24 very closely with them firstly on a weekly basis, and the early action we have agreed
25 is that workload is going to be a core item on service/union/management committee
26 agendas and also specific items for discussion between managers and employees
27 during one to one meetings.

28 That is just a flavour, Chairman, of what we are doing.

29 THE CHAIRMAN: Thank you very much, and the document from which you are
30 reading, is that available to us?

31 MR SUTHERLAND: I believe you may have it but if you do not I can certainly provide
32 it.

33 THE CHAIRMAN: If it is what we already have, that is fine. Thank you. Councillor
34 Dean.

1 MS DEAN: If you do not mind, Councillor Stewart had a few points.

2 MR STEWART: Thank you, Chairman. It is just that there were some serious
3 allegations this morning regarding money, £100,000 in two financial years, in each
4 of those. (Inaudible comment) Well, I picked it up as two.

5 THE CHAIRMAN: Can we just go to the appropriate reference point for that? Was it
6 during the Cyrenians' submission?

7 MR STEWART: Yes, indeed. I have in front of me a note:
8 "The underspend in the last two years, 2006/07 and 2007/08 has been used to
9 offset the £880,000 approved saving that was not realised. This amounted to
10 £100,000 in 2006/07 and £100,000 in 2007/08. This was reported to the
11 Homelessness Strategy Advisory Group so that should have been made aware of.
12 I would also like to pick up some other things in the financial aspects round about
13 the Cyrenians' presentation. In terms of the social work budget cut which was said to
14 be 50 per cent, it is actually 47 per cent, but it is a 27 per cent reduction overall in
15 the monies that the Council gives to the Cyrenians. That 27 per cent reduction is in
16 line with the overall reduction in adult services, and I will provide you with these
17 and any other information you require you can get from either myself or Craig
18 Stillett, who is the Head of Adult Services.
19 I just want to pick up one other point in terms of meetings. My door is always
20 open. I actually met with Mr Hannan after the budget. He was unhappy with what I
21 had to say, I think, sir, but I did speak to him. He knew that my door was always
22 open; he came in a lot when I was in opposition which he hinted at. I do not know
23 what has changed.

24 THE CHAIRMAN: Thank you. Councillor Dean.

25 MS DEAN: Thank you very much. I would just first say how much we appreciate the
26 opportunity to give a response to what has been said. There are many statements
27 beyond the ones which have been mentioned which require rebuttal and we will
28 submit in writing our views on that given the time constraints.
29 I will continue to avoid falling into party political traps as befits someone that
30 holds the position that I was elected to. What I would like to do is just in conclusion
31 here to agree with the assertion that was made earlier on that the Council needs to
32 come together to work through these difficulties. I hope that this can be done but I
33 would say that it will require a change of heart and a change of attitude from some
34 members of the Council.

1 I believe that our budget, while it has not been an easy one by any manner of
2 means, is part of the solution rather than part of the problem in this case. We as an
3 administration have the will and the majority to see this through. You have heard Dr
4 Tierney talk about the road map for the future which will help us to reach our
5 aspirations. In addition to that road map I will look forward to your
6 recommendations and to continuing to work with you and with others for the future
7 good of the city of Aberdeen.

8 THE CHAIRMAN: Thank you very much. I did say that there might be one or two
9 supplementaries. I will just check where we are with that. Are there any
10 supplementaries from anyone? Iain.

11 MR ROBERTSON: Could I just say, I am sorry but I have heard an awful lot of
12 management buzz words this morning and I just feel that if you could try to simplify
13 your language it would make it a lot easier for everyone to understand. We have
14 heard everything from transformations to embeddings, and "contextualised" occurred
15 in so many places in the Chief Executive's submission; I am not surprised that
16 people cannot understand what you are talking about. Have you done all this
17 management consultancy stuff in house or have you had any professionals advise
18 you on this? There is an old saying, "Keep it simple," and there is another word
19 added to that usually which I will not say.

20 DR TIERNEY: When you say management consultancy, can you be specific about it in
21 terms?

22 MR ROBERTSON: Advice on structuring from outside the organisation.

23 DR TIERNEY: I will need to refer to Douglas because I actually came in as part of the
24 new structure so I was not involved in that restructuring; if I can refer to Douglas on
25 whether any external advice was given on that.

26 MR PATERSON: No, we had no external advice. The work that was done over 2000
27 and 2001 was done by a team which consisted of our own HR people, some of the
28 OD people, the organisation and development people, and the team was actually led
29 by a very experienced secondary head teacher. That was the group which actually
30 led the process of working through the kind of high level stuff about where do we
31 need to be as a council, what kind of structure would deliver that, and then produced
32 the detail to go with it.

33 THE CHAIRMAN: Thank you. Douglas.

34 MR SINCLAIR: Maybe two or three points. Could I just ask for the record whether the

1 Council has a whistle blowing policy.

2 MS DEAN: Yes.

3 MR SINCLAIR: And has it been used?

4 MS DEAN: Yes.

5 MR SINCLAIR: It would be interesting to see a copy of that, please. Secondly, I was
6 interested in the comments made about what you are doing in terms of engaging with
7 staff. You mentioned communication and trying to improve the quality of the
8 communication. What about the other side of communication, which is listening?
9 The last time you had a staff survey was 2005, I think. Have the Council got plans to
10 do another staff survey?

11 MR SUTHERLAND: Yes, Chairman, we do plan on doing another staff survey at the
12 top end of this year. It is fully appreciated that it is a two-way street and listening is
13 important, and that is obviously part of the message that is being imparted, that it is a
14 case that we must listen and staff have got a chance to deal with line managers in the
15 team briefing and the one to one meetings. So it is very much a two-way process.

16 MR SINCLAIR: And my final question is this, and I am not clear as to who might
17 answer it. Mr Tomlinson corrected the factual inaccuracies as to what colleagues in
18 the voluntary sector said this morning but even if one accepted there were some
19 inaccuracies, and I am not in a position to say who is right or who is wrong, I wonder
20 if you would agree from what we have heard this morning that the relationship
21 between the Council and the voluntary sector does leave a great deal to be desired.

22 MR STEWART: I will pick up on that, if you do not mind. One of the things is that this
23 budget has been particularly tough for everyone and communication maybe has not
24 been at its best. What we have already said is in terms of the commissioning board
25 which we already have in place we will have voluntary sector input into that and that
26 will help in a lot of regards, I am quite sure.

27 THE CHAIRMAN: Thank you. Keith.

28 MR GEDDES: Just a point of clarification again from what John Tomlinson said in
29 relation to the transfer of, I think, £70 million from capital to revenue, he mentioned
30 that part of that had been one-off compensation payments in relation to single status.
31 How much was that? Could we get a breakdown of that, either now or later on, just
32 to see where the money went?

33 MR EDWARDS: Yes, Chairman, we would be very happy to provide a breakdown of
34 that later on. Essentially for the compensatory payments what actually has been paid

1 and what is in our provision totals £30 million. We do have some ongoing job
2 evaluation outcomes payments going forward also which is accounted for. I would
3 be happy to provide a more detailed breakdown of that in early course.

4 MR GEDDES: My final question, Chairman, just arose out of appendix 35 from the
5 evidence submitted by the Cyrenians and it is not a question about the Cyrenians at
6 all, it is a question about process. It is something I am struggling to understand. The
7 question was from somebody called Councillor Kiddie who I have never met before,
8 may never meet at all, but the question is put in relation to the serious charges
9 presented by Homelessness in Aberdeen, will the Chief Executive explain. My
10 previous experience of councils is decisions to cut budgets to the Cyrenians or to
11 anybody else is a political decision. Why are these questions not addressed to the
12 leadership and are addressed to the Chief Executive?

13 MS DEAN: It is a difficult one to answer. Obviously the way that our Council works
14 then questions can be addressed either to the Chief Executive or to the convener of
15 any of our committees, so it was obviously Councillor Kiddie's choice to address his
16 questions to the Chief Executive.

17 MR GEDDES: Do you think that Council standing orders should be changed so that the
18 people who take the decisions, the politicians, are the ones that should be
19 questioned?

20 MR STEWART: We are questioned.

21 MS DEAN: Yes.

22 MR STEWART: The standing orders allow for questions to the Chief Executive or to the
23 conveners of committees, and we on a regular basis, particularly over the past year
24 where folk have used questions to Council rather than finding out facts from
25 elsewhere, we are questioned on a regular basis and give public answers.

26 THE CHAIRMAN: Douglas.

27 MR SINCLAIR: Just to pursue that point, I really find that very strange. I have not
28 come across in my local government experience when a question is asked which is
29 based on a political decision, if it is the political decision of the council to make the
30 cut then the responsibility for answering that question would lie with the political
31 leadership of the council, not with the Chief Executive. I think it is a very odd set-up
32 that you have an ambiguity in your standing orders. It seems to me that the questions
33 can be asked either of the Chief Executive or the Leader when, clearly, when a
34 decision is made by a council that responsibility does not lie with the Chief

1 Executive, that responsibility lies with the leadership of the council.

2 MS DEAN: I think what we have in the standing orders is a provision to ask questions
3 on many other things than decisions of the Council because in many cases the Chief
4 Executive is asked on the progress of various things which although they may result
5 from decisions, I have not actually looked in detail in the last few days at that
6 particular example but I think it is only right that it is open to councillors to question
7 either the Chief Executive or the leadership or any of the committee conveners.

8 MR SINCLAIR: Would you not accept, Councillor Dean, that that depends on the nature
9 of the question and if the question lies within the responsibility and lies within the
10 ambit of the political leadership then it is right and proper and indeed to stop public
11 confusion that the answer is given by the leadership of the council, not by the Chief
12 Executive? That gives a false impression.

13 MR STEWART: But it is up to each individual councillor who they address their
14 question to. Councillor Kiddie is now a convener in this Council and has to answer
15 questions as a convener of this Council. He chose to address his questions to the
16 Chief Executive.

17 MR SINCLAIR: I think there is a fault in your standing orders.

18 A MEMBER OF THE PUBLIC: Councillor Kiddie is here. He can answer that.

19 THE CHAIRMAN: It is up to Councillor Kiddie whether he
20 wants to speak or not, I will leave that to him. As ever, Councillor Kiddie, could you just
21 state who you are.

22 MR KIDDIE: Councillor Jim Kiddie, SNP councillor for Torry and Ferryhill. Given my
23 age my memory is failing me more and more these days but I seem to recall,
24 Chairman, that this question that is being referred was one that I asked when we
25 were part of the opposition. I cannot recall the detail of it. (Same handed) It is in
26 front of me here. I will read it out: "In view of the serious challenges presented by
27 Homelessness in Aberdeen will the Chief Executive explain how the £800,000
28 annual cut in the homelessness budget is to be achieved without seriously affecting
29 this vulnerable section of society?"

30 I make no apology for asking that question; I think at that time being an
31 opposition councillor it was important to tease out what was behind the cut, why it
32 was being made, the reasons for it and the ramifications of it. I think that is quite
33 within what I should be doing as a councillor in opposition.

34 MR SINCLAIR: Can I say I think that is absolutely the right and legitimate role for an

1 opposition councillor. My query is that if there is a degree of public confusion
2 within the public of Aberdeen as to who is running this Council, and we have heard
3 evidence of that, I think, and views expressed to that effect, I am simply making the
4 point that in every other council that I know of where a decision is made by the
5 council as to a budget cut the responsibility for that decision lies with the political
6 leadership of the council, not with the Chief Executive, and it is proper for the
7 political leadership to respond to a question like that.

8 THE CHAIRMAN: Councillor Kiddie.

9 MR KIDDIE: Can I merely add that at that time my recollection is that a decision had
10 been reached by the previous council, this relates to the previous council, and that
11 what I was anxious to obtain was clarification about the implementation of that
12 decision which is an officer responsibility.

13 THE CHAIRMAN: Thank you very much. Ann.

14 MS FAULDS: Councillor Dean, can I ask, are you confident and satisfied about the
15 revenue implications of the Council's capital project and in particular the Marischal
16 College project?

17 MS DEAN: Yes, I am. I have received assurances along with other councillors. I sit on
18 the Project Development Board for Marischal College. I have seen the reports as
19 they are ongoing. I actually believe that once this project is completed and we are
20 talking about the ongoing running costs of this building it will be cheaper than the
21 one that we presently occupy.

22 MS FAULDS: But you are satisfied and you are confident in the assurances that you
23 have received?

24 MS DEAN: I am completely confident in those assurances.

25 THE CHAIRMAN: Thank you very much. Is there anything else before I finally wind
26 up that anyone would like to say in front of us? No? You are content?

27 Let me then formally adjourn this hearing. In doing so the Commission will
28 proceed to consider its findings in far less splendid surroundings than these and these
29 findings will be made public in the usual way. Let me thank all the witnesses who
30 have helped the Commission in giving their evidence. Let me add to that our thanks
31 to Aberdeen City Council for their help in making the arrangements for this hearing,
32 thank you very much indeed, and can I also thank the public for their interest which I
33 and my fellow Commissioners greatly appreciate.

34 This hearing is now adjourned. Thank you.

ABERDEEN CITY COUNCIL SUBMISSION TO THE ACCOUNTS COMMISSION

The following schedules are submitted to the Commission Secretary under the right of reply which has been sought by Aberdeen City Council and granted by the Commission Chair.

This evidence is based on our consideration of the verbal evidence given by non ACC witnesses during the 13th and 14th of May hearing.

We thank the Commission for the opportunity to submit this further evidence and are content that it is added as an addendum to the transcript for the public record.

Audit of Best Value & Community Planning – Public Hearing

Points of Factual Accuracy

	Issue	Comment
1.	Northfield Academy – Plans not considered at Area Committee (North)	The North Area Committee on 19th February 2008 received a verbal update on a meeting with staff held that day. The North Area Committee on 15th April 2008 received a report providing an update on the action plan.
2.	Tenancy Changes – Use of Private Sector	The figure for the number of empty properties was 1,597 in 2005 with the current figure of 179 void properties a reduction of 1,418 properties. To state that the success of voids was down to the private sector contractor being paid millions is incorrect. A private contractor was used for a short period for the following reasons: 1) to benchmark against in house delivery 2) to supplement in house resources to ensure that targets were achievable 3) as a pilot to carry out upgrades to the Scottish Housing Quality Standard whilst the property was void (this is recognised as best practice). The contract was for a period of one year carrying out 139 properties in Jan 07 – Jan 08. The value of the contract was £975,000. It was paid primarily from the Housing Capital Budget. In context, there were 2,197 void properties in the year 07/08 i.e. only 6% were carried out by the private sector. In March 2008, 44% of properties were let within 4 weeks.
3.	Capital Projects – Revenue Implications	Major capital infrastructure projects have revenue implications fully costed. Comments were specifically made on Marischal College and the 50m Pool.

		<p>Revenue implications of the Marischal College project have been fully costed and budgets forecast.</p> <p>A professional business planning consultancy is currently working on the detailed business planning for the 50m Pool which will include revenue implications.</p>
4.	No Consideration of Impact of Budget Reductions	Risk assessments were completed on the proposed budget cuts. Copies of these risks assessments can be provided to the Accounts Commission.
5.	Access to Information for Elected Members is restricted to opposition groups	All elected members have absolutely equal access to the same information. Group Leaders have been twice, this year, offered briefings by the Chief Executive prior to Committee meetings. The Conservative group has taken up this offer, the Labour group has not.
6.	Late Circulation of Papers	The papers referred to on Equal Pay which were circulated prior to a Council meeting were held back at the request of the Trades Unions to ensure that the first people to learn of job evaluation outcomes were the staff themselves.
7.	The structure has caused increased bureaucracy and costs	The move from 10 to 6 Directors and the move from 28 Heads of Service to 25, plus support staff, has saved the Council approximately £1m p.a.
8.	Triplication as a result of Area Structures	Any redesign for Area delivery is predicated on reducing costs as demonstrated above.
9.	Rotating the Convenorship of the Continuous Improvement Committee weakens it	The Convenorship does not rotate.
10.	No account is taken of changes in population in allocating expenditure	The Transformation Strategies took account of the changes in population. The School's Estate Strategy and the reduction in the teaching staffing formula are in response to the falling school roles. Increased expenditure in areas of Health & Social Care is as a direct result of demographic change e.g. numbers in elderly population.
11.	Officers Negotiating the Craft Agreement returned as consultants to continue this	This is simply not true. The craft agreement negotiations were taken up by members of the new management team. The Craft Agreement was recently commended by the Municipal Journal.

12.	Stress is a cause of absence and has been worsened by the change process	The Council monitors the effects of stress on absence. The latest occupational health monitoring shows the percentage of occupational health referrals attributed to stress as 3%. There has been no growth in this over the change process.
13.	Home Care: Staff employed through the Private Sector not trained or SCRO checked; and Numbers of clients	It is part of the Council's standard terms and conditions with external care providers that all employees involved in the care of ACC clients are subject to satisfactory and appropriate Disclosure Scotland checks. All 'care companies' must be registered by the Care Commission and are subject to the same standards and scrutiny as our in-house service. Client numbers have dropped across the sectors due to amended eligibility criteria for care. It is simply not true that we are stopping care with ACC and then commissioning from Private & Voluntary Sector.
14.	City Wardens Uniforms and Powers are questionable	This is not the case. There is a legal requirement for parking attendants to wear appropriate uniforms when issuing certain notices. They will. The Officers will be known as City Wardens (Parking Attendants).
15.	Director of Education Post	Aberdeen City Council has not had a Director of Education since 2001, not 2005 as stated.
16.	School Cleaning Market Testing Information Not Supplied	This is not the case. Information on contractor's costs and productivity was supplied to Trades Unions as part of Committee report circulated 20th July 2007 including shared confidential data on benchmarking costs/productivity rates. This was followed up on 24th August 2007 to members of the Management/Trades Union Agency meeting with an email providing detailed breakdown of costs and productivity comparing the in-house contractor against the private contractor. If further information is required and / or a meeting to discuss this data then there is an open offer to follow this up.

17.	Use of Reserves	£12m has been used from reserves over three years, not £70m as reported.
18.	Restructuring of School Structures Agreed at an Area Committee	The Policy has not been made at Area Committees. This referred to a retirement case at an Academy. The Head of Service referred in Committee to the faculty structure that was being put in place. A new Labour Member challenged this in saying that no decisions had been made yet on management structures in Schools. It was explained to the Member that the school had developed and had approved a faculty structure as a result of the policy agreed by Council in 2005.
19.	Budget Information Provided to the Trades Unions	High level budget information was provided prior to the budget together with substantial detailed information thereafter. Trade Unions were invited to workshops on Transformation Strategies which formed the basis of budget decisions.
20.	Additional Post Associated with City Warden Service	This is not true. There are 4 existing management posts and the new structure will have 4 management posts. Front line supervision will increase from the existing 4 supervisors to twelve supervisors. This is because there are an additional 32 staff who have transferred from Police management to ACC, plus the operating hours of the service have been substantially extended to provide a wider public safety and environmental enforcement service. The supervisor role has been re-designed to make it more field based than office based.
21.	<p>a) No Key Account Manager was appointed for the Cyrenians.</p> <p>b) The Cyrenians deal with 2,000 clients per annum – ACC want the Cyrenians to refer these clients to ACC for (statutory) assessment of need – ACC could not cope</p>	<p>a) A key Account Manager was appointed to the Cyrenians. The designated point of contact wrote to Paul Hannan requesting a meeting. He received no response. This was followed up with further requests to meet, which also received no response. Copies of this correspondence can be provided.</p> <p>b) ACC has a statutory duty to assess the needs of any citizen who declares themselves homeless – if there are wider support/care needs the citizen is assessed as to whether the Council’s support officers can assist or whether a care needs assessment is required. This may result in care being provided by</p>

<p>with this</p> <p>c) Only Cyrenians can provide the flexibility of service required to meet the needs of homeless people in the City and ACC is not listening</p> <p>d) ACC has made no progress on its strategy and has ignored its “D” Grade - in particular stakeholder relationships and partnership working.</p> <p>e) Mr Hannan made a statement to the effect that ACC had missed out on additional grant funding because of the poor quality and</p>	<p>in-house services or through commissioned services. The Council dealt with 2,500 such homelessness presentations last year – to suggest it does not have the capacity to handle referrals from the Cyrenians is unfounded. To suggest that there is another 2,000 homeless persons who never come near the Council is also unfounded. ACC seriously doubts the Cyrenians claim that they assist 2,000 homeless persons per annum who have a connection with the City – it is considered that the Cyrenians are double/triple counting their clients.</p> <p>c) ACC has consistently stated since the 1 October 2007 Council decision that it would commission more integrated Adult Services (as opposed to purely homelessness services, supporting people services, or care services) and this has been confirmed in writing. With the decommissioning of some Cyrenians services ACC aim to have the commissioning of new integrated “wrap around services” in place by March 2009. Mr Hannan is involved in discussions with ACC on this matter.</p> <p>d) In March/April 2007 the Cyrenians wrote to the Scottish Executive and Communities Scotland to complain that ACC was not delivering on its Homelessness Strategy and its service improvement plan (for homelessness). ACC subsequently reported to the former Scottish Executive (letter submitted 22 May 2007) on achievements made on delivering on strategic outcomes and notified the former Communities Scotland (letter July 2007) of the improvements through the Service Improvement Plan. ACC is due to be re-inspected either at the end of 2008 or early 2009.</p> <p>e) This statement is non-specific and whilst there have been occasions where grant submissions have been unsuccessful – this failure is over shadowed by our success – for instance the former Community Services and now Strategic</p>
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	<p>management of grant submissions</p> <p>f) Press release was issued prior to the Consultation event for the Transformation Strategies. This implied the event was not genuine consultation.</p>	<p>Leadership Adult Services HECA team has been successful in attracting over £15M in home energy grant which has ensured that the Council has met its CO2 reduction targets for domestic properties.</p> <p>f) The workshop was part of the formal consultation on the Transformation Strategies, and was genuine consultation with the voluntary sector. The purpose of the workshop was to provide the voluntary sector with an opportunity to comment on the draft strategies which had been developed with front line staff. This was clearly stated in the invitation and in the introduction to the workshop. The press release was to inform the press and the public of the content of the draft strategies, and the potential proposals we were considering. The final reports that were agreed at Council on 4th October were adjusted to take into account feedback received through the formal consultation.</p>
22.	Cost of Marischal College	The reported cost in 2005 was in the order of £47 million noted as being caveated appropriately to allow for further work (on all options) to set a time and scope context. This further work was undertaken in 2007 and the results placed before full Council.
23.	Market testing of Grounds Services emerged through press reports with no Trade Union involvement	The Council approved the Transformation Strategy on Environmental Services in February 2008. This commits to market testing of grounds services. Trades Unions were consulted on the Strategy.
24.	Use of Management Speak	The Council chose the word "Transformation" for its change programme, firstly because this is an accurate description and secondly to retain consistency with the Scottish Government Transforming Public Services initiative to link work as opposed to being charged with yet more work.
25.	Assertion that the previous Labour Administration Budget Steering Group was all-party	This only happened after the Labour Group lost overall control of the Council in late 2002. Prior to that, it was Labour Members only.

26.	Assertion that "rescue packages" proposed by groups affected by the Budget have been ignored	The success story of Aye-Can, and the ongoing work with Ice Rink users, Friends of Doonies and Glencraft disprove this.
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