



Audit and Procurement Committee

Time and Date

10.00 am on Wednesday, 25th January, 2017

Place

Committee Room 2 - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 12)
To agree the minutes of the meeting held on 19th December 2016.
4. **Approval Process for ER/VR Applications by Audit & Procurement Committee** (Pages 13 - 18)
Report of the Chief Executive
5. **Report on Resources Directorate Proposals** (Pages 19 - 30)
Report of the Chief Executive
6. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Private business

Nil

Chris West, Executive Director, Resources, Council House Coventry

Tuesday, 17 January 2017

Note: The person to contact about the agenda and documents for this meeting is Lara Knight, tel: 024 7683 3237 email lara.knight@coventry.gov.uk

Membership: Councillors S Bains (Chair), R Brown, J Clifford (Deputy Chair), J Lepoidevin, T Sawdon and H Sweet

Please note: a hearing loop is available in the committee rooms

If you require a British Sign Language interpreter for this meeting
OR if you would like this information in another format or
language please contact us.

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Public Document Pack Agenda Item 3

Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 19 December 2016

Present:

Members: Councillor S Bains (Chair)
Councillor R Brown
Councillor J Clifford
Councillor J Lepoidevin
Councillor T Sawdon
Councillor R Singh

Employees (by Directorate):

Chief Executives: M Reeves (Chief Executive)

Place: S Lam

Resources: M Burn, B Hastie, P Jennings, D Johnson, L Knight, H Lynch,
K Tyler

Apologies: Councillor H Sweet

Public Business

41. Declarations of Interest

Councillor Lepoidevin declared an interest in the matter referred to in Minute 54 below headed "Consideration of Early Retirement Voluntary Redundancy Application". She withdrew from the meeting during consideration of this matter.

42. Minutes of Previous Meeting

The minutes of the meeting held on 24th October 2016 were agreed and signed as a true record.

There were no matters arising.

43. Exclusion of Press and Public

RESOLVED to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the following private reports on the grounds that the reports involve the likely disclosure of information defined in the Paragraphs of Schedule 12A of the Act as indicated, and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

Minute No.	Title	Paragraph No(s).
52.	Complaints to the Local Government Ombudsman 2015/16	3

53.	Procurement and Commissioning Progress Report	3
54.	Consideration of Early Retirement Voluntary Redundancy Application	1, 2 and 3

44. Half Yearly Fraud Report 2016-17

The Committee considered a report of the Executive Director of Resources, which provided a summary of the Council's anti-fraud activity during the financial year 2016-17 to date.

Fraud in the public sector has had a national focus through the publication of 'Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy'. Whilst the national strategy stated that the level of fraud in the public sector was significant, the current trends in fraud activity included areas which Coventry City Council did not have responsibility for and the levels of identified / reported fraud against the Council were at relatively low levels, in terms of both numbers and value.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud. The work of the team had focussed on four main areas during 2016/17, namely Council Tax; National Fraud Initiative; Referrals and Investigations considered through the Council's Fraud and Corruption Strategy; and Proactive work. The report provided a summary of the work undertaken in each of these areas.

In relation to Council Tax, the main area of focus to date had been reviewing Council Tax exemptions. This reflected the view of an inherent risk of fraud / error in this area as the Council was reliant on the customer to report any changes in circumstances. As a result of the work, 101 exemptions were removed from customers' accounts. Revised bills were issued amounting to approximately £148,000 and £64,000 of this money had been repaid to the Council to date. The Committee noted that the outstanding balances were being recovered through agreed payment instalment arrangements or were subject to the Council's standard recovery arrangements.

The National Fraud Initiative exercise was led by the Cabinet Office and took place every two years, matching electronic data within and between public bodies with the aim of detecting fraud and error. Work had been focussed on collating and submitting the datasets required for the next exercise. It was anticipated that matches would be released for investigation in February 2017.

With regard to Referrals and Investigations, the Committee noted that 7 referrals had been made to date, 1 coming from a Whistle blower and 6 from managers. Of the 7 referrals received, 5 led to full investigations. There were various reasons for referrals not leading to an investigation. In addition to the 5 investigations, a further 5 investigations had been carried forward from 2015/16. 4 of the 10 investigations were continuing and of the other 6 in 2 cases the officers had left their post during the disciplinary process; one received a final / written warning; and one the allegation was found to not be substantiated. 2 of the cases were

linked to the award of Small Business Rates Relief where the customer had failed to report other businesses interests which affected their entitlement and, in both cases, revised bills were issued totalling £10,200.

The Committee noted that the Council's response to fraud also included an element of proactive work. Whilst this had been limited during the first half of the year, it had included a review of the Council's fraud and corruption strategy linked to the publication of the updated national strategy. This work was nearing completion and would be reported to the Committee at a future meeting. Members requested that they be provided with a summary of the updated national strategy. In addition, following a previous request by the Committee, arrangements had been made for an article on the rolling programme of Council Tax reviews to be published in the December edition of the Council's Citivision magazine.

RESOLVED that the Audit and Procurement Committee note the anti-fraud activity undertaken during the first half of the financial year 2016/17.

45. 2016/17 Second Quarter Financial Monitoring Report (to September 2016)

The Committee considered a report of the Executive Director of Resources, which set out the Council's forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2016 (Quarter 2).

It was noted that the report had been considered by the Cabinet at their meeting on 29th November 2016, and that the comments from the Audit and Procurement Committee's consideration of the Quarter 1 report on 26th September 2016 were brought to the Cabinet's attention.

The headline revenue forecast for 2016/17 was an overspend of £7.1m. This had worsened since the Quarter 1 position where it had stood at £6.4m. At the same point in 2015/16 there was a projected overspend of £4.7m. The level of overspend was unprecedented and the worsening of an already challenging financial position signified the need for management to take decisive action to pull this back to balance or near balance position by year-end. The Council's Strategic Management Board had begun immediate implementation of a series of actions which were set out within the report.

Capital spending was projected to be £88.9m for the year, a net decrease of £10.9m on the Quarter 1 position. This decrease in the Capital Programme included £13m of expenditure that had been rescheduled to future years.

The Committee sought clarification on a number of issues and in relation to Appendix 4 of the report, requested that further information be provided in respect of delays in the provision of primary school places identified as 'basic need' and the indication that additional primary school places were not required for the start of 2016/17 academic year under 'emergency basic need', as members were led to believe that there continued to be pressure for primary school places.

In addition, the Committee indicated that they would like to understand the level of officer time allocated to work for the West Midlands Combined Authority and

requested that they be provided with a list of which officers are involved with work for the Combined Authority.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the financial position at Quarter 2**
- 2. Request that further information be provided in relation to Appendix 4 and the provision of primary school places identified within 'Basic Need' and 'Emergency Basic Need'.**
- 3. Request that a list be provided of those officers that are working with the West Midlands Combined Authority.**

46. Update on 2015-16 External Audit Findings Report

The Committee considered a briefing note of the Executive Director of Resources, which provided an update on the implementation of recommendations from the 2015/16 External Audit Findings report.

The Council's External Auditors, Grant Thornton, were required to issue a Value for Money assessment as part of their audit of the City Council's accounts. For the 2015/16 audit, the auditors issued an opinion that they were satisfied that in all significant respects the Authority had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year. In addition to their overall assessment the auditors typically issue an action plan that provides any recommendations for improvement. For 2015/16 auditors issued an action plan containing 5 such recommendations. This was considered by the Committee on 26th September 2016 and an update on the implementation of the recommendations was requested.

The Committee noted that recommendations 1, 3 and 5 had been implemented or were progressing in line with the recommended timescale. Recommendations 2 and 4 related to different aspects of the segregation of duties for the Agresso financial system. The recommended way forward was proving difficult to deliver within the constraints of existing structures and the practicalities of administering monitoring procedures. Further work was under way, seeking guidance from Internal and External Audit and best practice intelligence from other local authorities. Officers indicated that they would ensure that External Audit were involved closely in developing the final proposed control solutions. The Committee requested a further update at their meeting scheduled for 3rd April 2017.

RESOLVED that the Audit and Procurement Committee note the progress today in implementing recommendations and requested a further update at their meeting scheduled for 3rd April 2017.

47. Corporate Risk Register

The Committee considered a report of the Executive Director of Resources, which set out the current Corporate Risk Register as an overview of the Council's corporate risk profile and the controls in place to address these.

The report indicated that Local Government was operating within an environment of substantial budget cuts and major policy changes with significant impact on service delivery and organisational structures. The pace and scale of change required the Council to constantly access its risk profile and implement suitable controls to manage those risks.

It was noted that the report submitted covered only those risks that were viewed as the most critical for the Council and were considered at a corporate level. Risk management activity continued at other levels throughout the Council, dealing with risks at a lower level.

The Corporate Risks, listed in Appendix 1 of the report, could be considered as falling into two separate categories of Operational / Business as Usual (those risks that could affect the underlying and fundamental operations and structure of the Council); and Specific / Project (those risks that could affect specific projects or the major change initiatives to how the Council operates).

The Committee noted that there were some changes to the Risk Register since the matter was last considered by them on 11th April 2016. Customer Journey had been removed from the register as the operational and infrastructure changes were well advanced and the risk was no longer monitored at Directorate level. Information Governance and Historic Abuse had been added to the register.

The Committee were advised that the Risk Management Strategy in its current form had been in place since 2012 and that the Council's practice was the subject of a full review in respect of Policy, Strategy and Operational Framework. The outcome of this review would be reported to the Committee at a future meeting.

In considering the report, the Committee indicated that they would benefit from a training session to help them understand the way in which risks were assessed to identify the appropriate level and the required mitigation and requested that a training programme be developed.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the current Corporate Risk Register having satisfied themselves that the Corporate risks are being identified and managed.**
- 2. That a training programme on the Corporate Risk Register be developed for members of the Committee.**

48. Freedom Of Information / Data Protection Act Annual Report 2015/16

The Committee considered a report of the Executive Director of Resources, which provided an overview of the number of requests for information received under the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 (EIR) and the Data Protection Act 1998 (DPA).

Under the FOIA, the Council is required to respond to requests for information it holds from members of the public subject to any exemptions that may apply. Section 39 of the FOIA required the Council to process requests for environmental information under the EIR. The EIR process, whilst similar to FOIA, promotes

'proactive dissemination' of information and provides fewer grounds for the Council to withhold information. Both FOIA and EIR permit personal data, as defined by the DPA, to be withheld where the applicant is not the subject of the data. The DPA requires the authority to process personal data in accordance with the principles of the Act, which includes providing access to information the Council processes about them, subject to any exemptions.

The report indicated that the Information Commissioner's Office (ICO) oversees compliance with FOIA, EIR and DPA, promotes good practice and deals with complaints from members of the public who were not satisfied with the response they receive.

Increasingly the Council, through its Information Management Strategy work, is seeking to make as much of its data open to the public to reduce the need for the FOIA to be utilised. This is important as the Council significantly reduces the resources it has available and seeks new solutions to the City's needs which can arise from sharing data appropriately.

The Council is obliged to respond to information requests under FOIA/EIR within 20 working days, subject to any relevant exemptions. The Code of Practice, issued by the Secretary of State for Constitutional Affairs under S45 of FOIA, requires public authorities to have a procedure in place to deal with complaints in regard to how their requests were handled. This process is handled by the Information Governance Team as an FOI/EIR review. After a review has been completed an applicant has a right to complain to the ICO for an independent ruling on the outcome of the review. Based on the findings of their investigations, the ICO may issue a Decision Notice. The ICO also monitors public authorities who do not respond to at least 85% of FOI/EIR requests they receive within 20 working days.

The Council had continued to manage FOI requests within the SharePoint system, since May 2015. During 2015/16, 1,328 FOI/EIR requests were received by the Council, an increase from the 1307 received during the previous year. The Council responded to 60% of FOIA/EIR requests within 20 working days in 2015/16 compared to 79% for the previous year. The Committee noted that the Council did not record the reasons why requests exceeded the statutory timescales and were advised that this could be due to delays in locating information held and / or internal deliberations around the application of any valid exemptions.

The Council received 18 requests for FOIA / EIR internal reviews. 10 were not upheld and the exemptions applied were maintained and no further information provided; 4 were partially upheld with further information provided; and 4 upheld with information provided. Three complaints were referred to the ICO. The reasons for these were set out in the report.

The DPA provides individuals with the right to ask for information that the Council holds about them. These are also known as Subject Access Requests (SARs). The Council should be satisfied about the individual's identity, have sufficient information about the request and receive the statutory £10 fee before it can respond. SARs have to be completed within 40 calendar days. The Council received 268 DPA requests during the course of 2015/16, of which 93 were valid

requests. Of these 49 (53%) were completed within 40 calendar days. Whilst the Council does not record the reasons why requests exceeded the statutory timescale, the majority of the requests that exceeded the statutory timescale of 40 calendar days were social care requests. The reason for this (though not recorded) was considered to be mainly due to the complexity and volume of information held coupled with the staffing issues, which were referred to in the report.

The Council received two requests for internal reviews for SARs in the course of the year. Both were partially upheld and additional information was disclosed. In addition, there were two complaints referred to the ICO regarding SARs during 2015/16.

The report also indicated that in July 2015, an Independent Commission was set out to report on the effectiveness of the FOIA ten years since it came into force. The Commission consulted a wide range of public bodies on the operation of FOIA. A joint response was submitted on behalf of all West Midlands Authorities which recognised the importance of transparency but highlighted the increasing challenges of dealing with requests for information in the current climate.

The Commission concluded that FOIA is generally working well but that they would like to see a reduction in delays in responding to requests. They made a series of recommendations which include changes to how extensions of time are dealt with, imposition of statutory time limits for dealing with internal reviews and the publication of performance statistics. The Commission were not persuaded that there were any convincing arguments to impose fees for some / all requests for information.

In considering the report, the Committee sought information on how many of the FOIA requests were submitted from journalists and requested that this information be provided.

RESOLVED that the Audit and Procurement Committee:

- 1. Note the Council's performance for responding to accesses to information requests, the number and outcome of internal reviews and the outcomes of complaints made to the Information Commissioners Office.**
- 2. Request that information on the number of Freedom of Information Act 2000 applications submitted by journalists be forwarded to them.**

49. Complaints to the Local Government Ombudsman 2015/16

The Committee considered a report of the Director of Public Health, which set out the number and trends of complaints to the Local Government Ombudsman relating to Coventry City Council in 2015/16, the corresponding outcomes, as well as comparisons to trends in 2014/15.

A corresponding private report detailing confidential aspects of the complaints was also submitted to the meeting for consideration.

The report indicated that the Local Government Ombudsman (LGO) was the final stage for complaints about councils and some other organisations providing local public services. It provided an independent means of redress to individuals for injustice caused by unfair treatment or service failure.

In Coventry, the Council's complaints policy set out how individuals could complain to the Council, as well as how the Council handle compliments, comments and complaints. As part of this, the Council informed individuals of their rights to contact the LGO if they were not happy with the Council's decision.

Every year, the LGO issues an annual letter to every council, summarising the number and trends of complaints dealt with in each local authority. The latest letter, issued July 2016, set out the number of complaints dealt with in Coventry between April 2015 and March 2016 (2015/16). In addition, a report, Review of Local Authority Complaints allowed local authorities to benchmark their own performance with national trends.

Nationally, the LGO received 19,702 complaints and enquiries in 2015/16, similar to 2014/15. Of these, 51% of detailed investigations were upheld (up from 46%). The area most complained about was education & children's services, an area which had seen a 13% increase in complaints in 2015/16 compared to the previous year, the biggest increase of any category.

In 2015/16, the LGO recorded 109 complaints and enquiries relating to Coventry City Council. This was similar to the number recorded in 2014/15 (110 complaints). The report set out the number of complaints per category.

When dealing with an enquiry, the LGO could choose to investigate cases where it saw merit in doing so. Following an investigation, they could decide if a complaint was upheld (where the authority has been at fault and this fault may or may not have caused an injustice to the complainant; or where an authority has accepted it needs to remedy the complaint before we make a finding on fault) or not upheld (where, following investigation, the LGO decides that a council has not acted with fault).

Of the 109 complaints about Coventry City Council in 2015/16, 22 complaints were investigated, an 18% reduction from 27 complaints in 2014/15. 11 of the 22 complaints were upheld (50% upheld). This was an increase from nine complaints upheld out of 27 complaints (33%) in 2014/15. The percentage upheld in Coventry compared favourably to a nearest neighbour average of 54% of complaints upheld and a national average of 51% complaints upheld.

Of the 11 upheld complaints, the LGO recommended a remedy for eight complaints; found that the fault did not cause an injustice in two complaints; and in one complaint, the LGO was satisfied with the Council's remedy. Six cases resulted in a monetary settlement, totalling £7,862. The Ombudsman did not issue formal reports of maladministration for any of the 11 complaints upheld during 2015/16.

RESOLVED that the Audit and Procurement Committee:

- 1. Note the Council's performance in relation to complaints to the LGO.**

2. **Were assured that the Council takes appropriate actions in response to complaints investigated and where the Council is found to be at fault.**

50. **Work Programme 2016/17**

The Committee considered a report of the Executive Director of Resources which set out the work programme for the Committee for the current municipal year.

RESOLVED that the work programme be noted.

51. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of public business.

52. **Complaints to the Local Government Ombudsman 2015/16**

Further to Minute 49 above, the Committee considered a report of the Director of Public Health, which set out the confidential aspects of the number and trends of complaints to the Local Government Ombudsman relating to Coventry City Council in 2015/16, the corresponding outcomes, as well as comparisons to trends in 2014/15.

RESOLVED that the Audit and Procurement Committee:

1. **Note the Council's performance in relation to complaints to the LGO.**
2. **Were assured that the Council takes appropriate actions in response to complaints investigated and where the Council is found to be at fault.**

53. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Executive Director of Resources which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 24th October, 2016. Details of the latest positions in relation to individual matters were set out in an appendix to the report.

RESOLVED that:

1. **The current position in relation to the Commissioning and Procurement Services be noted.**
2. **No recommendations be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**
3. **No changes are required to the format of the report at this time.**

54. Consideration of Early Retirement Voluntary Redundancy Application

The Committee considered a report of the Executive Director of Resources, which set out confidential aspects of proposals for the consideration of early retirement / voluntary redundancy for the Executive Director of Resources.

RESOLVED that the Audit and Procurement Committee:-

- 1. Determines the severance payment to the Executive Director of Resources upon his redundancy and early retirement as calculated in accordance with the Council's Security of Employment Policy.**
- 2. Receive proposals for the restructure of the Resources Directorate senior management team at a meeting to be arranged in January 2017.**

55. Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.

There were no other items of private business.

(Meeting closed at 5.30 pm)



Audit and Procurement Committee

25 January 2017

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor J Mutton

Director Approving Submission of the report:

Chief Executive

Ward(s) affected:

None

Title:

Approval Process for ER/VR Applications by Audit & Procurement Committee

Is this a key decision?

No

Executive Summary:

In accordance with section 40 of the Localism Act 2011, the Secretary of State for Communities and Local Government issued guidance regarding “Openness and accountability in local pay”. The guidance (which local authorities must have regard to) provides for elected Members to be offered the opportunity to vote before large salary packages are offered in respect of a new appointment and large payments are offered to staff before leaving the authority. The Secretary of State considered that £100,000 was the appropriate threshold for salary and severance packages requiring approval.

The Council’s Audit and Procurement Committee are therefore required under the Council’s Constitution to determine any salary or severance package for an employee of the Council of £100,000 or over, or such other sum as determined by legislation in respect of any new appointment of severance package.

This report considers the approach that the Council has adopted to date in determining the value of exit packages and proposes a different approach to improve openness and transparency in respect of such packages.

Recommendations:

Audit and Procurement Committee is recommended:

- (1) To request Officers to report all exit packages where the benefits to be paid the employee and the cost to the Council exceed £100,000 to the Audit and Procurement Committee for approval.

List of Appendices include:

None

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Approval Process for ER/VR Applications by Audit & Procurement Committee

1. Context (or background)

- 1.1 In accordance with section 40 of the Localism Act 2011, the Secretary of State for Communities and Local Government issued guidance regarding “Openness and accountability in local pay”. The guidance (which local authorities must have regard to) provides for elected Members to be offered the opportunity to vote before large salary packages are offered in respect of a new appointment and large payments are offered to staff before leaving the authority. The Secretary of State considered that £100,000 was the appropriate threshold for salary and severance packages requiring approval.
- 1.2 The Council’s Audit and Procurement Committee is, therefore, required under the Council’s Constitution to determine any salary or severance package for an employee of the Council of £100,000 or over, or such other sum as determined by legislation in respect of any new appointment of severance package.
- 1.3 The guidance states when presenting the information regarding severance packages to Audit and Procurement Committee, the components of the severance package must be set out clearly. Such components may include salary paid in lieu, redundancy compensation, pension entitlements, holiday pay and any bonuses, fees or allowances paid.
- 1.4 Historically, Audit and Procurement has been asked to approve severance packages where the entitlement to be received by the employee exceeds £100,000. This is consistent with the guidance, which was aimed at increasing transparency in public sector pay, particularly in relation to the highest paid officers.
- 1.5 In May 2016, the Enterprise Act 2016 received Royal Assent. This Act will make further changes to public sector exit payments in order to increase openness and transparency but also to ensure that exit packages deliver best value for money for local taxpayers. The changes, which are yet to come into force will include capping the value of exit packages at £95,000. When calculating the value of an exit package, it is anticipated that local authorities will be expected to calculate and include the costs to the authority as well as payments/benefits to the employee.
- 1.6 This means that pension strain costs will need to be included within the calculations. Pension strain is an additional one-off sum that an employer is required to pay to the Pension Fund in order to allow the early release of pension benefits without actuarial reduction.
- 1.7 Where previously Member approval has been required to approve the exit packages for the most senior, highest paid officers, these changes will mean that less senior officers with significant length of service will be covered by the new rules. For example, the severance package of a Grade 6 officer over 55, with 36 year’s service comprises £20,000 redundancy and over £80,000 in pension strain, taking the whole exit package over £100,000.
- 1.8 Prior to the enactment of the Enterprise Act 2016, there has been significant public debate and commentary on the approach taken in relation to public sector exit payments and the importance of accountability, transparency and value for money. Officers have had regard to this commentary, particularly in relation to its current ERVR programme and whether or not ERVR packages, which reach the £100,000 threshold when pension strain is included should be approved by the Audit and Procurement Committee.

2. Options considered and recommended proposal

2.1 Only seek approval from the Audit & Procurement Committee for exit packages where the benefits payable to the employee exceed £100,000 (not recommended).

The Council could maintain the status quo and continue to only seek approval from the Audit and Procurement Committee in relation to exit packages where the benefits payable to the employee exceed £100,000 until the provisions of the Enterprise Act 2016 requiring the inclusion of pension strain/costs to the Council within the calculation come into effect. This is not recommended because this means that the audit committee would consider only exceptional redundancies such as the redundancy of a Director level post, and this is clearly not in the spirit of the guidance. This is borne out by the fact that only one redundancy package has been considered by the Committee.

2.2 Seek approval from the Audit & Procurement Committee for exit packages where the benefits payable and the costs to the Council exceed £100,000 (recommended).

It is recommended that Audit and Procurement Committee are required to authorise all exit packages where the benefits payable to the employee and the cost to the Council exceed £100,000. Whilst this will encompass some less senior, lower paid employees than previously covered by such arrangements, it is important that the Council is transparent as to the cost of all exit packages, particularly in light of the current ERVR programme, which is due to close on 31 January 2017. This approach is consistent with the anticipated changes under the Enterprise Act 2017.

3. Results of consultation undertaken

- 3.1 There has been no consultation on this issue. The changes proposed are reflective of the forthcoming legislation as outlined in the HM Treasury consultation on Public Sector Exit Payment Caps. It is intended that this will be shared with unions for information.

4. Timetable for implementing this decision

- 4.1 If approved by Audit and Procurement Committee, the change in approach will come into effect immediately and relevant applications under the current round of ERVR, which meet the £100,000 will be considered by Audit and Procurement accordingly.
- 4.2 Whilst the Enterprise Act 2016 has received Royal Assent, the provisions and Regulations in relation to Exit Payments are yet to come into force.

5. Comments from Executive Director, Resources

5.1 Financial implications

There are no direct financial implications associated with report and no proposal to change the way in which the actual costs and payments relating to severance packages are calculated.

It should be noted that one-off severance costs are generally met from reserves which have been specifically earmarked and set aside for the purpose of meeting these costs and which then allow immediate savings to be made in revenue budgets once posts have been deleted.

The costs of severance, particularly redundancy and pension strain costs, are influenced by final and average salary levels, age and length of service. As a result, the costs of severance can vary significantly even for members of staff in jobs which are graded very

similarly. The average cost of severance usually equates to approximately 1 years' average salary when viewed in the round. Clearly there can often be significant variations to this when severance packages are viewed on an individual case by case basis.

5.2 Legal implications

The Guidance "Openness and accountability in local pay" was introduced by the Secretary of State for Communities and Local Government in accordance with section 40 of the Localism Act 2011. Local Authorities are required to have regard to this guidance in performing their functions in preparing and approving pay policy statements.

Part 2I of the Council's Constitution "Functions of the Audit and Procurement Committee" reflect the requirement for Members to approval exit packages which reach the threshold of £100,000. The recommendations in this report clarify how that requirement is to be interpreted going forward.

The Enterprise Act 2016 makes further provision in relation to salary and exit packages for local authority employees and reduces the threshold from £100,000 to £95,000. These provisions and associated Regulations are not yet in force. Officers are considering the implications of the new requirements and will ensure that any necessary changes to the Council's arrangements are made to coincide with them coming into effect.

6. Other implications

Any other specific implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

This proposal will ensure that the Council better operates in accordance with section 40 of the Localism Act 2011, the Secretary of State for Communities and Local Government issued guidance regarding "Openness and accountability in local pay".

It strengthens our corporate governance responsibilities and ensure greater levels of scrutiny on exit payments in accordance with the anticipated changes under the Enterprise Act 2016

6.2 How is risk being managed?

This proposal is designed to mitigate risk by strengthening the governance arrangements around major employment costs. The proposals also bring the Council's governance arrangements in line with the expected provisions in the legislation.

6.3 What is the impact on the organisation?

This change should impact positively on the governance of exit payments across the Council and fairness in decision making particularly in cases of voluntary redundancy.

6.4 Equalities / EIA

An equality impact assessment is not required for the purposes of this report. However, all ERVR applications and Human Resources activity are conducted in accordance with the Council's Equal Opportunities policy and the Public Sector Equality Duty.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title: Barbara Barrett, Head of HR and Organisational Development

Directorate: Resources

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Resources	17/1/2017	17/1/2017
Other members				
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Assistant Director, Finance	Resources	16/01/2017	16/01/2017
Legal: Helen Lynch	Legal Services Manager (Place & Regulatory)	Resources	16/01/2017	17/01/2017
Director: Martin Reeves	Chief Executive	Chief Executive	17/01/2017	17/01/2017
Members: Cllr Sucha Bains	Chair, Audit & Procurement Committee			

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Audit and Procurement Committee

25 January 2017

Director Approving Submission of the report:
Chief Executive

Ward(s) affected: N/A

Title:
Proposals for the Resources Directorate

Is this a key decision?
No

Executive Summary:

This document sets out proposals for the Resources Directorate following the agreement to delete the post of Executive Director of Resources.

Recommendations:

The Audit and Procurement Committee is asked to:

- 1) Confirm the proposal for the realignment of services as set out in the report, subject to evaluation of the new Director roles and completion of the assurance process referred to in paragraph 3.2;
- 2) Commission a review and evaluation of the Executive Director roles and all roles that directly report to the new Director posts;
- 3) Commission a review of all remaining Hay Graded staff in 2 stages, firstly grades AD2 and above and secondly SM1-3. To take place from March through to December 2017;
- 4) Request Officers to bring a further report to Audit & Procurement Committee to approve any new salary packages exceeding £100,000 which are recommended following any of the reviews/evaluations referred to in recommendations 1 – 3 above.

List of Appendices included:

- Appendix 1 – Proposed Structure
- Appendix 2 – Impact of proposed structure on existing management teams within the People and Place Directorates
- Appendix 3 – Current Grades, Salaries and enhancements within the Resources Directorate.

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Proposals for the Resources Directorate

1. Context (or background)

- 1.1 The voluntary early retirement application from the Executive Director Resources has been agreed and confirmed by the Audit and Procurement Committee on 19th December, 2016. The proposed deletion of the post will save £150k and a further £200k can be saved via further post(s) deletion and a restructure of the Resources Directorate. This paper sets out the outline plan for covering the duties following the deletion of the Executive Director Post and associated restructure.

2. Options considered and recommended proposal

- 2.1 A number of options have been considered for managing the deletion of the Executive Director post including the creation of one or two senior Director Posts directly reporting into the Chief Executive and in effect to maintain the status quo for the Resources Directorate.
- 2.2 Either of the above scenarios would require the deletion of current posts within the directorate and would unintentionally place other members of staff 'at risk'. Creating additional senior Director Posts is running counter to the organisations aim to reduce management layers and it will maintain senior management costs at the current level, which is unacceptable in the current climate of budget reductions and ongoing ER/VR programme.
- 2.3 After consideration the proposal is to leave all the current Resources Directorate job roles as they are at present, transferring the functions currently sat within the Resources Directorate to the remaining Executive Directors of Place and People.
- 2.4 This allows the deletion of the following posts
- 1 x Executive Director = a costs saving of £150k
2 x senior posts = a cost saving of £200k circa

3. Realignment of posts/line management, functions and services

- 3.1 It is proposed that the two remaining Executive Directors absorb the leadership and strategic corporate duties of the Executive Director Resources. In addition, that the two most senior posts (currently in receipt of enhanced payments) AD ICT Transformation and Customer Services and AD Finance and Corporate Services currently reporting into the Executive Director of Resources absorb the operational line management of the functions within the Directorate including the allocation of 151 officer and Senior Information Risk Owner (SIRO). These job roles and responsibilities (AD ICT Transformation and Customer Services and AD Finance and Corporate Services) will need to be revised/adjusted in light of the realignment, and will be evaluated to ensure that any changes to scope, size and impact are appropriately recognised and rewarded. Where the evaluations result proposed salary packages exceeding £100,000, the salary packages will be subject to the approval of the Audit & Procurement Committee.
- 3.2 Due to the significant organisational shift set out in this proposal, reducing from three to two Executive Directors, it would be prudent to carry out an assurance process. An Appointments Panel to be chaired by the Leader of the Council comprising nominated elected members (including Opposition members), the Chief Executive and the Executive Directors, will be convened to meet with the two most senior post holders AD ICT Transformation and Customer Services and AD Finance and Corporate Services in the

current Resources Directorate and seek confidence that this proposal can be safely implemented at this time.

3.3 At this stage the proposal the main realignment of post title/line management would be:

Director of Customer Services and Transformation (including the role SIRO) reporting to the Executive Director of People and responsible for the following functions:

- HR/OD, Payroll & Health & Safety
- ICT/ Digital Strategy
- Transformation
- Communications
- Procurement

Director of Finance and Corporate Services (including section151 responsibility) reporting to the Executive Director of Place and responsible for the following functions:

- Finance & Audit
- Risk / insurance & Governance
- Members Services
- Legal Services (including Monitoring Officer)
- Revenue & Benefits

The appointment of the section 151 Officer must be confirmed by full Council. Officers will prepare a report to the next meeting of Council on 21 February 2017 to confirm this appointment and any changes required as a result of these proposals to be made to the Officer Scheme of delegation within the Constitution.

For consistency, it is proposed that all Assistant Director posts within the Place Directorate will be renamed as Directors. At this stage, this will be a change to job titles only and not to their terms and conditions.

Appendix 1 shows the proposed movement of the two new Director posts under the Executive Directors of Place and People, whilst Appendix 2 shows how these relate to the existing management teams in these directorates.

3.4 The table below summarises the proposed realignment of the Resources senior management team and associated functions to the remaining two Executive Directors as below:

Service	Managers	Line Manager	Number of posts	Gross Budgets (m)	Destination
Transformation, ICT & Business Services	Director of Customer Services & Transformation	Executive Director People	801	£26.26	Executive Director, People
Finance and Corporate Services (inc R&B and Section 151 Officer)	Director of Finance & Corporate Services	Executive Director Place	259	£127.8	Executive Director, Place
HR/OD (including apprentices)	Head of Human Resources and Organisational Development	Director of Customer Services & Transformation	192	£7.5	Executive Director, People

Legal and Democratic Services	Place & Regulatory Team Manager & People Team Manager & Members and Elections Team Manager	Director of Finance & Corporate Services	146	£6.53	Executive Director, Place
Procurement	Assistant Director Procurement	Director of Customer Services & Transformation	27	£1.06	Executive Director, People

- 3.5 On the face of it this may look like an unequal allocation, it needs to be seen in the context that the People Directorate is a larger Directorate (with a gross budget of £272m) than the Place Directorate (with a gross budget of £125m) or Resources Directorate (with a gross budget of £172m), due to the high level of direct service delivery functions in that Directorate. Indeed, Resources and Place Directorates combined is still less than half the People Directorate in terms of number of established posts. Resources and Place Directorates have a diverse portfolio of corporate services that often stretch beyond Coventry and includes the statutory 151 'Chief Financial Officer' post.
- 3.6 Arguably this is a significant realignment to the Councils management arrangements, hence it would be appropriate for the Chief Executive and Leader of the Council to review these changes after 3 months, again after 6 months with a full evaluation after one year of operation.
- 3.7 A list of the current grades and salaries, including pay enhancements is at Appendix 3. Four of the senior team within Resources Directorate are already in receipt of additional payments (market supplements/honorarium) increasing current salaries by 5-10%. Indeed an initial scan across all the Hay graded posts across the Council indicates that additional payments (in the form of market supplements and honoraria) have become commonplace. Hence it is advisable and recommended that all the 'Hay' graded jobs are reviewed and evaluated along with the pay scales to ensure parity across the Council and avoid claims of equal pay.
- 4. Wider organisational and senior management considerations**
- 4.1 The above proposal and re-alignment is likely to impact on other posts/job roles within the senior management population. In addition, there appears to have been a growing number of market supplements and honorarium payments made to post holders in this section of the workforce by way of retaining people who possess organisational memory and are embedded in significant projects to improve the City. The need to retain people in these senior roles has been further exacerbated because the Council has reduced its headcount at a senior level and remaining post holders are expected to work to a larger portfolio of work and frequently across organisational boundaries.
- 4.2 This prompts advice and a recommendation to review all senior management 'Hay' graded posts to ensure the Council retains key knowledge, skills and competencies, is well led and can deliver its objectives. In addition, the review will seek to design a senior management pay spine/structure for the future and establish senior management posts with a fair and transparent pay and reward strategy. The last senior management review took place in 2006 and hence this recommendation is timely and will ensure parity across the Council and mitigate the risk of equal pay claims. If this review results in recommended salary

packages exceeding £100,000, these will be subject to approval by Audit & Procurement Committee.

5. Results of consultation undertaken

- 5.1 Briefings on the proposals have taken place with those directly affected and with the Trade Unions. Further consultation will take place between 25-31 January 2017 as detailed below at paragraph 6.1. The consultation period is relatively short as there are no compulsory redundancies.
- 5.2 Following the implementation of these proposals, it is anticipated that there will be a further review of the services within the new Directors remits. Further consultation with employees and Trade Unions will be conducted as appropriate.

6. Timetable for implementing this decision

- 6.1 Below is an indicative timescale for the consultation and management action

Activity	Date
Brief stakeholders	W/C 16 January
Job evaluation to confirm job sizes of the 2 most directly impacted posts	16 – 31 January
Launch consultation <i>after audit committee</i>	25 January
Opportunity for 1:1 discussion	25 – 31 January
End of consultation	31 January
Review of comments received and make any changes necessary	13-17 February
Assurance process	W/C 17 February
Implementation	22 February

7. Comments from Executive Director, Resources

7.1 Financial implications

The implementation of the new structure proposed in this report will realise the achievement of the £350k detailed in Section 3 immediately. The extent to which further savings are delivered will depend on the development of proposals to re-shape senior management layers across specific service areas and the impact of the proposed review of Hay graded management posts. Any proposals coming forward will be considered in accordance with existing formal decision-making requirements and are being conducted in clear view of the need to continue to streamline management structures and achieve cost savings where possible.

7.2 Legal implications

The Council's power to appoint officers on such reasonable terms and conditions as it thinks fit is subject to section 41 of the Localism Act 2011 (requirement for determinations relating to terms and conditions of chief officers to comply with pay policy statement).

The Guidance "Openness and accountability in local pay" was introduced by the Secretary of State for Communities and Local Government in accordance with section 40 of the Localism Act 2011. Local Authorities are required to have regard to this guidance in performing their functions in preparing and approving pay policy statements.

Part 2I of the Council's Constitution "Functions of the Audit and Procurement Committee" reflect the requirement for Members to approval salary packages which reach the threshold of £100,000. The recommendations in this report clarify how that requirement is to be interpreted going forward.

Section 151 of the Local Government Act 1972 requires the Council to appoint an Officer to be responsible for the proper administration of its financial affairs. The report sets out at paragraph 3.3 how this duty will be discharged.

8. Other implications

8.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The reconfiguration from 3 to 2 directorates will strengthen the strategic leadership and management oversight of the Council's business by streamlining the corporate responsibilities of all services and functions through to the chief Executive via two Executive Directors.

The savings realised will contribute to the Council's savings targets

The review of pay grades across the senior management population has the potential to realise further efficiencies, cost savings and more effective governance and pay parity.

8.2 How is risk being managed?

The realignment is a significant departure from an organisational structure that has served the Council well. Nevertheless the council needs to evolve to meet the changing needs of its communities. Hence the new arrangements will be reviewed by the Leader of the Council and the chief Executive at 3, 6 and 12 months with a final proposal for a permanent organisational structure in February 2018.

8.3 What is the impact on the organisation?

Whilst there will be a period of uncertainty as employees settle into the 2 directorates, it is unlikely to cause major disruption to the running of Council businesses and its services.

8.4 Equalities / EIA

An equality impact assessment is not required for the purposes of this report. However, all ERVR applications and Human Resources activity are conducted in accordance with the Council's Equal Opportunities policy and the Public Sector Equality Duty.

8.5 Implications for (or impact on) the environment
None

8.6 Implications for partner organisations?
None

Report author(s):

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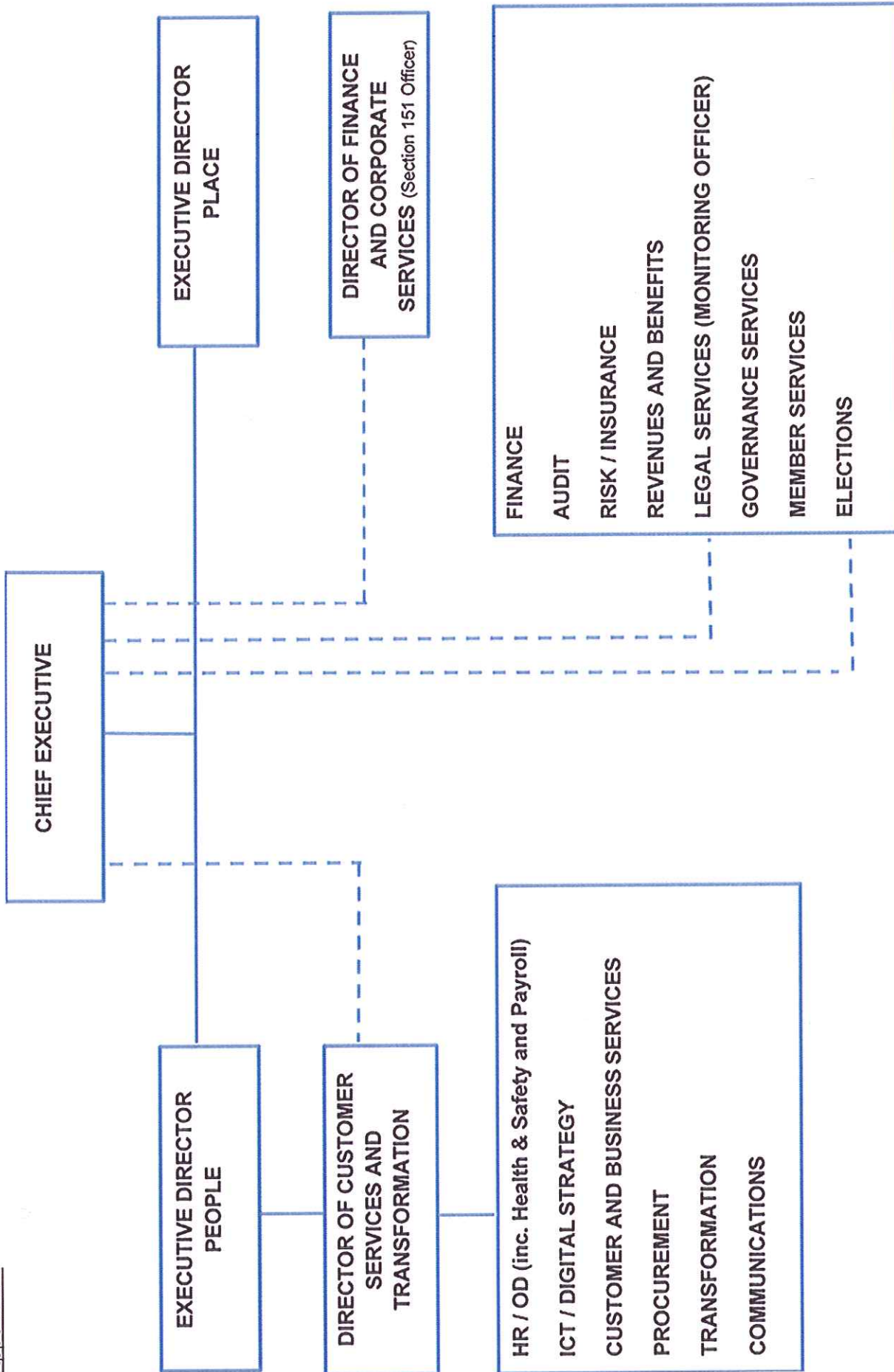
Directorate: Chief Executive

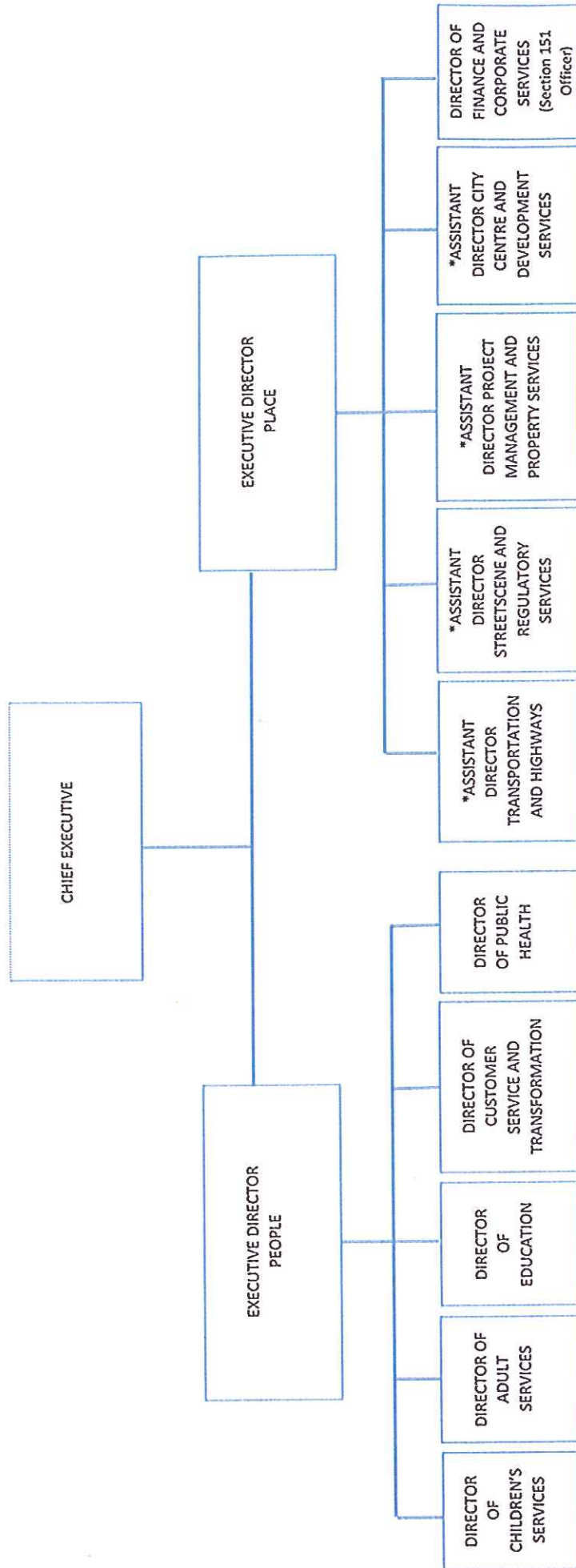
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Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
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Barbara Barrett	Head of HR and Organisational Development	Resources	17/01/2017	
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Assistant Director, Finance	Resources	17/01/2017	
Legal: Helen Lynch	Legal Services Manager (Place & Regulatory)	Resources	17/01/2017	
Director: Martin Reeves	Chief Executive	Chief Executive	17/01/2017	

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*Assistant Director Posts to be called Directors – change of job title only

Appendix 3 - Current establishment

Post Title	Total	Grade*	Spine point	Oncosts	Add Salary
Executive Director	£157,801.00	D1	£125,538.00	£32,263.00	
AD ICT Trans & Customer Services	£115,648.00	AD2	£86,072.00	£23,850.00	£5,725.56
Head of Financial Management	£114,724.00	AD2	£86,072.00	£23,652.00	£5,000.04
Head of HR and Organisational Development	£97,839.00	AD2	£77,797.00	£20,042.00	
Place and Regulatory Team Manager	£80,915.00	SM2	£60,614.00	£15,367.00	£4,935.00
People Team Manager	£80,916.00	SM2	£60,614.00	£15,367.00	£4,935.00
Chief Internal Auditor	£56,517.00	G10	£44,962.00	£11,555.00	
Members and Elections Team Manager	£75,981.00	SM 2	£60,614.00	£11,555.00	
AD Procurement	£53,000.00	N/A	£53,000.00	£0.00	
AD Legal & Dem Service	£97,839.00	AD2	£77,797.00	£20,042.00	
AD Customer Services	£97,839.00	AD2	£77,797.00	£20,042.00	
Total	£1,029,019.00		£810,877.00	£193,735.00	

Proposed interim establishment

Post Title	Total	Grade*	Spine point	Oncosts	Add Salary
Director Customer Services & Transformation	£115,648.00	AD2	£86,072.00	£23,850.00	£5,725.56
Director of Finance and Corporate Services	£114,724.00	AD2	£86,072.00	£23,652.00	£5,000.04
Head of HR and Organisational Development	£97,839.00	AD2	£77,797.00	£20,042.00	
AD Procurement	£53,000.00	N/A	£53,000.00	£0.00	
Place & Regulatory Team Manager	£80,916.00	SM2	£60,614.00	£15,367.00	£4,935.00
People Team Manager	£80,916.00	SM2	£60,614.00	£15,367.00	£4,935.00
Members and Elections Team Manager	£75,981.00	SM 2	£60,614.00	£11,555.00	
Acting Chief Internal Auditor	£56,516.00	G10	£36,018.00	£11,555.00	£8,943.00
Total	£675,540.00		£520,801.00	£121,388.00	£29,538.60

Savings	£353,479.00
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