

# Employment Committee Agenda

For enquiries regarding this agenda;

**Contact:** Democratic Services (01737 276182)

**Email:** Democratic@reigate-banstead.gov.uk



12 June 2019

## To the Members of the EMPLOYMENT COMMITTEE

### Councillors:

J. S. Bray

M. A. Brunt

V. H. Lewanski

S. McKenna

C. M. Neame

### Substitutes

#### Conservatives:

#### Residents Group:

#### Green Party:

#### Councillors:

J. Paul, T. Schofield and R. S. Turner

R. J. Feeney, N. D. Harrison and R. Harper

J. C. S. Essex

For a meeting of the **EMPLOYMENT COMMITTEE** to be held on **THURSDAY, 20 JUNE 2019** at **6.00 pm** in the Front Committee Room - Town Hall, Reigate.

John Jory  
Chief Executive

**1. APPOINTMENT OF CHAIR**

To appoint a Chair for this Committee for the Municipal Year 2019/20.

**2. APPOINTMENT OF VICE-CHAIR**

To appoint a Vice-Chair for this Committee for the Municipal Year 2019/20.

**3. MINUTES**

(Pages 7 - 8)

To confirm as a correct record the Minutes of the Employment Committee meeting held on 5 December 2018.

**4. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

To receive any apologies for absence and notification of substitutes in accordance with the Constitution.

**5. DECLARATIONS OF INTEREST**

To receive any declarations of interest.

**6. TERMS OF REFERENCE AND MEMBERSHIP**

(Pages 9 - 22)

To note the revised terms of reference and membership of the Employment Committee for the 2019/20 Municipal Year.

**7. MANAGEMENT TEAM UPDATE**

To consider the exempt Management Team Update report set out at agenda item 15.

**8. DIRECTOR VACANCY AND INTERIM SECTION 151 ARRANGEMENTS**

(Pages 23 - 72)

To consider a report in relation to the Director Vacancy and the Interim Section 151 arrangements.

**9. PAY AWARD 2019/20 (UPDATE)**

To receive a verbal update from the Head of Organisational Development on the Pay Award 2019/20.

**10. WORKFORCE DATA SUMMARY & ORGANISATIONAL DEVELOPMENT APPROACH** (Pages 73 - 90)

To consider the attached workforce data summary and Council's organisational development approach.

**11. EMPLOYMENT COMMITTEE MEMBER LEARNING AND DEVELOPMENT BRIEFING** (Pages 91 - 96)

To consider a briefing on Member Learning and Development to satisfy recommendations made by the Governance Task Group concerning the provision of mandatory training for Members of the Employment Committee.

**12. FUTURE WORK PROGRAMME** (Pages 97 - 98)

An indicative work programme is attached for consideration by the Employment Committee.

**13. ANY OTHER URGENT BUSINESS**

To consider any item(s) which, in the opinion of the Chair, should be considered as a matter of urgency – Local Government Act 1972, Section 100B(4)(b).

**Note: Urgent business must be submitted in writing but may be supplemented by an oral report.**

**14. EXEMPT BUSINESS**

RECOMMENDED that members of the Press and Public be excluded from the meeting for the following item(s) of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**15. MANAGEMENT TEAM UPDATE (EXEMPT)** (Pages 99 - 102)

To consider the exempt Management Team Update report.

**16. DIRECTOR VACANCY AND INTERIM SECTION 151 (Pages 103 - 108)  
ARRANGEMENTS (EXEMPT)**

To consider exempt information in relation to these proposals.

## **WEBCASTING OF MEETINGS**

The Council webcasts some of its public meetings.

Meetings are broadcast live and available to view online for six months. A copy is retained for six years after the meeting.

In attending any meeting you are recognising that you may be filmed and consenting to the webcast being broadcast online and available for others to view.

If you have any queries or concerns please contact [democratic@reigate-banstead.gov.uk](mailto:democratic@reigate-banstead.gov.uk).

The Council's agenda and minutes are provided in English. However the Council also embraces its duty under equalities legislation to anticipate the need to provide documents in different formats such as audio, large print or other languages. The Council will only provide such formats where a need is identified prior to publication or on request.

Customers requiring either the translation facility or an alternative format should contact Customer Services: Telephone 01737 276000

This page is intentionally left blank

# Agenda Item 3

Employment Committee  
5 December 2018

Minutes

## **BOROUGH OF REIGATE AND BANSTEAD**

### **EMPLOYMENT COMMITTEE**

Minutes of a meeting of the Employment Committee held at the Executive Meeting Room - Town Hall, Reigate on 5 December 2018 at 6.00 pm.

Present: Councillor J. E. Durrant (Chairman) Councillors J. M. Ellacott, M. A. Brunt, M. S. Blacker and R. Harper.

Also present: Councillors T. Schofield.

#### **20. MINUTES**

**RESOLVED** that the Minutes of the meeting held on 29 August 2018 be approved as a correct record and signed.

#### **21. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillor N Harrison, who was substituted by Councillor R Harper.

Apologies for lateness were received from Councillor M.A. Brunt.

#### **22. DECLARATIONS OF INTEREST**

None.

#### **23. ANY OTHER URGENT BUSINESS**

None.

#### **24. EXEMPT BUSINESS**

**RESOLVED** that members of the Press and public be excluded from the meeting for the following items of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

(i) it involved the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act; and

(ii) the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

#### **25. APPOINTMENT OF HEAD OF LEGAL AND GOVERNANCE (MONITORING OFFICER)**

The Committee interviewed the remaining candidate who had been short listed for interview for the post of Head of Legal and Governance (Monitoring Officer).

# Agenda Item 3

Employment Committee  
5 December 2018

Minutes

It was noted that the appointment of Head of Legal and Governance was the responsibility of the Chief Executive and that the Committee's remit was to consider if the candidate was suitable to be appointed as Monitoring Officer.

The short listing process undertaken during the Assessment Day had involved a technical exercise and presentation of findings; informal meeting with Heads of Service and direct reports; technical interviews and an informal meeting with the Directors and Portfolio Holder, Councillor T. Schofield.

Penna Consultancy had supported the recruitment process leading up to the Assessment Day. The Chief Executive, Head of Finance and Organisation; Interim Head of Legal and Governance and Human Resources Business Partner attended the meeting to support the Committee.

Councillor T Schofield also attended the meeting, under Procedure Rule 4.19.1.

During the interview process the remaining candidate was asked a set of predetermined questions. Following which the candidate was also given the opportunity to ask questions and to discuss the appointment package.

Following the interview, the Committee debated the merits of the candidate, based upon the written information before them and the outcomes of the formal interview process.

Upon a vote, it was then accordingly

**RECOMMENDED that Caroline Waterworth be appointed Monitoring Officer with effect from her commencement of employment at the Council.**

The Meeting closed at 8.20 p.m.

# Agenda Item 6



<b>SIGNED OFF BY</b>	Head of Legal and Governance
<b>AUTHOR</b>	Christian Scade, Deputy Democratic Services Manager
<b>TELEPHONE</b>	01737 276128
<b>EMAIL</b>	christian.scade@reigate-banstead.gov.uk
<b>TO</b>	Employment Committee
<b>DATE</b>	Thursday, 20 June 2019
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Corporate Direction and Governance

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	N/A

<b>SUBJECT</b>	Terms of Reference and Membership - Employment Committee 2019/20
----------------	--

<b>RECOMMENDATIONS</b>
<p>The Committee is asked to note:</p> <ol style="list-style-type: none"> <li>1. The Responsibility for Functions for the Employment Committee, set out in Part 3a of the Constitution (Annex 1);</li> <li>2. Procedure Rule 9 – Officer Employment, set out in Part 4 of the Constitution (Annex 2); and</li> <li>3. The membership of the Committee for the 2019/20 Municipal Year (set out in Section 1 of this report).</li> </ol>
<b>REASONS FOR RECOMMENDATIONS</b>
<p>Following the recent Governance Task Group review and recommendations (Executive, 18 March 2019) this report sets out the revised terms and reference, together with the membership, of the Employment Committee for the 2019/20 Municipal Year.</p>

# Agenda Item 6

## KEY INFORMATION

### Membership

1. As agreed by Annual Council on 29 May 2019, the membership of the Employment Committee for the 2019/20 Municipal Year is:
  - Councillor Jill Bray
  - Councillor Mark Brunt
  - Councillor Victor Lewanski
  - Councillor Steve McKenna
  - Councillor Caroline Neame
2. The nominated substitute members are:
  - Conservative: Councillors Jamie Paul, Tony Schofield and Rachel Turner
  - Residents' Association: Councillors Bob Harper, Nick Harrison and Ross Feeney
  - Green: Councillor Jonathan Essex

### Terms of Reference and Procedure Rule 9

3. As set out in the recent Governance Task Group report (Executive, 18 March 2019) the Council needs to understand, plan and develop its workforce requirements for the future in order to provide excellent services to the community it serves and to support the Council's vision, aims and values.
4. In considering Procedure Rule 9 (Officer Employment) and the Terms of Reference for the Employment Committee, the Task Group focused on:
  - The need to ensure the Council has access to the right skill sets in order to deliver its ambitious future objectives.
  - The importance of attracting a diverse future workforce to ensure an ongoing supply of suitable applicants across a broad range of occupations, tackling skills shortage areas and attracting the right people with the right skills and competencies at the right time.
  - Ensuring skills and capacity are in place to support change, focusing on future skill requirements to support service improvements, management and staff development and creating a more adaptable and flexible workforce.
  - Ensuring pay and reward policies are equitable, flexible and affordable, support the Council's performance management systems and are responsive to market pressures.
  - The need to enhance and clarify governance arrangements associated with Member involvement in senior officer recruitment, including functions relating to disciplinary / dismissal.
  - The importance of Member Learning and Development, especially in relation to the roles and responsibilities of the Employment Committee and Member involvement in recruitment.
5. The Task Group's findings highlighted that much of the above could be achieved through the development, implementation and ongoing review of an Organisational

# Agenda Item 6

Development Strategy. With this in mind, the Task Group put forward a number of recommendations, which reflected a desire to ensure greater alignment between the Council's emerging Corporate Plan (2020-2025) and the shape of the organisations.

6. These recommendations were adopted and resulted in changes to the Constitution, both in terms of the Responsibility for Functions of the Employment Committee (**Annex 1**) and Procedure Rule 9 – Officer Employment (**Annex 2**).

## **LEGAL IMPLICATIONS**

7. There are no direct legal implications associated with this report.

## **FINANCIAL IMPLICATIONS**

8. There are no direct financial implications associated with this report.

## **EQUALITIES IMPLICATIONS**

9. The Employment Committee needs to have regard to the Council's duties under the Equality Act 2010. This requires the Council to have due regard to the need to:
  - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act;
  - Advance equality of opportunity between people who share a protected characteristic and those who do not;
  - Foster good relations between people who share protected characteristics and those who do not.
10. The recommendations set out in this report relate to the membership and terms of reference for the Employment Committee and carry no direct implications for the Council's general equality duty. However, the Committee should ensure that it addresses these duties by considering them within its work programme (attached at agenda item 12) as well as individual pieces of work.

## **COMMUNICATION IMPLICATIONS**

11. There are no direct communication implications associated with this report.

## **BACKGROUND PAPERS**

12. Governance Task Group (Executive, 18 March 2019)  
<https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=223&Ver=4>

# Agenda Item 6

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

**Responsibility for Council Functions**

Committee	Membership	Function	Delegation of Functions
Employment Committee	5 Members of the Authority  (politically balanced – to include at least one Member of the Executive)	<ol style="list-style-type: none"> <li>1. Appointment/Dismissal &amp; Disciplinary Action and appeals in accordance with Procedure Rule 9 - Officer Employment.</li> <li>2. Employee matters requiring approval by Members or falling outside the personnel policies and procedures.</li> <li>3. Oversight and engagement (with relevant Officers) in respect of the development of the Council’s Organisational Development Strategy – which includes the talent/attraction/development/retention strategy for staff and the Council’s Management Structure.</li> <li>4. Establishing a critical friend role in relation to ensuring the Council’s Organisational Development Strategy is on track and is fit for purpose. This should include consultation around the annual Service and Financial Planning process and Pay Policy Statement.</li> </ol> <p><b>Note:</b> The application of 2, 3 and 4 (above) should be detailed in an annual work programme to be agreed at the start of each Municipal Year by the Employment Committee.</p>	Officer Delegation – see schedule

# Agenda Item 6

# Agenda Item 6

## Procedure Rule 1 - Officer Employment

### 1.1 General

- 1.1.1 Each member of the Management Team is responsible to the Council for the management, training, welfare, health and safety and discipline of the employees under their direction.
- 1.1.2 He/she shall act in accordance with the Council's HR Policies and Procedures.
- 1.1.3 He/she shall liaise closely with the Head of Service with responsibility for HR over the interpretation and application of these matters.
- 1.1.4 The Head of Service with responsibility for HR shall be responsible for monitoring that the Council's HR Policies and Procedures are being implemented and Officers are acting within their terms.
- 1.1.5 The Head of Service with responsibility for HR shall also keep the Council informed of all significant developments in the HR field.
- 1.1.6 Each member of the Management Team shall ensure that the Head of Service with responsibility for HR is supplied with all the information necessary for corporate monitoring systems on human resource management and payroll.
- 1.1.7 Terms and conditions of employment are set out in individual contracts of employment and the Council's HR Policies and Procedures.

### 1.2 Recruitment and appointment

#### Declarations

- 1.2.1 The Council will draw up a statement requiring any candidate for appointment as an Officer to state in writing whether they are the parent, grandparent, partner, child, stepchild, adopted child, grandchild, brother, sister, uncle, aunt, nephew or niece of an existing Councillor or Officer of the Council; or of the partner of such persons.
- 1.2.2 No candidate so related to a Councillor or an Officer will be appointed without the authority of the Chief Executive or an Officer nominated by him/her.

#### Seeking Support for Appointment

- 1.2.3 The Council will disqualify any applicant who directly or indirectly seeks the support of any Councillor for any appointment with the Council.
- 1.2.4 The content of Procedure Rule 9.2.3 will be included in any recruitment information.
- 1.2.5 No Councillor will seek support for any person for any appointment with the Council.

# Agenda Item 6

## 1.3 Recruitment of Head of Paid Service and Statutory Chief Officers

*Where the Council proposes to appoint the Head of Paid Service or a Statutory Chief Officer the Council will:*

- 1.3.1 make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it; and
- 1.3.2 make arrangements for a copy of the statement of qualifications or duties to be sought in the person to be appointed to be sent to any person on request.

## 1.4 Appointment of Head of Paid Service, Chief Finance (S151) Officer and Monitoring Officer (Statutory Chief Officer)

- 1.4.1 The full Council will approve the appointment of the Head of Paid Service, Chief Finance Officer and Monitoring Officer in accordance with Annex 1 to Procedure Rule 9.
- 1.4.2 The full Council may only make or approve these appointments where no well-founded objection has been made in accordance with Procedure Rule 9.8.

## 1.5 Other appointments

- 1.5.1 Appointment of Officers other than those listed in Procedure Rule 9.4 (and assistants to political groups) will be undertaken in accordance with Annex 1 to Procedure Rule 9.

## 1.6 Disciplinary action/dismissal against Statutory Chief Officers

- 1.6.1 No disciplinary action (except suspension for the purpose of investigating the alleged misconduct occasioning the action) may be taken by, or on behalf of, the Council against the Head of Paid Service, Monitoring Officer or Chief Finance Officer other than in accordance with the Local Authorities (Standing Orders) (England) Regulations 2015.
- 1.6.2 Any suspension of Officers for the purpose of investigating an alleged misconduct occasioning the action must be on full pay and terminate no later than the expiry of two months beginning on the day on which the suspension takes effect.
- 1.6.3 In the case of a proposed disciplinary action against a statutory officer the council is required to invite independent persons who have been appointed for the purposes of the members' conduct regime under section 28(7) of the Localism Act 2011 to form an independent panel.
- 1.6.4 An independent panel will be formed if two or more independent persons accept the invitations, and councils should issue invitations in accordance with the following priority order:
  - An independent person who has been appointed by the council and who is a local government elector,
  - Any other independent person who has been appointed by the council, and
  - An independent person who has been appointed to another council or councils.

# Agenda Item 6

- 1.6.5 Any decision in relation to disciplinary action against a statutory officer will be taken transparently by full council, who must consider any advice, views or recommendations from the independent panel, the conclusions of any investigation into the proposed dismissal, and any representations from the officer concerned.

## **1.7 Disciplinary action/dismissal against other Officers**

- 1.7.1 Dismissal or disciplinary action against any Officer other than those listed in Procedure Rule 9.4 (and assistants to political groups) will be undertaken in accordance with Annex 1 to Procedure Rule 9.

## **1.8 Notification of proposed appointment of Head of Paid Service, Chief Finance (S151) Officer and Monitoring Officer (Statutory Chief Officers)**

- 1.8.1 The Proper Officer will notify every Member of the Executive of:

- (i) the name of the person concerned;
- (ii) any other particulars relevant to the appointment; and
- (iii) the date by which objections must be made.

- 1.8.2 An Executive Member wishing to make an objection must notify the Leader in sufficient time to enable the Leader to lodge an objection in accordance with Procedure Rule 9.8.3 below.

- 1.8.3 Objections must be material and well founded and must be made by the Leader on behalf of the Executive to the Proper Officer in writing within 5 working days unless specifically extended.

## **1.9 Conduct of employees**

- 1.9.1 Employees should adopt high standards of personal conduct at work and should do nothing which would bring the Council into criticism or disrepute.
- 1.9.2 They must follow the Council's codes of conduct and regulations stated in the Constitution and elsewhere.
- 1.9.3 Only the Communications Unit, the Chief Executive, and Management Team, in consultation with the Communications Unit, may talk to the press, or otherwise make public statements on behalf of their Services unless otherwise designated under the Council's Emergency Plan.

## **1.10 Conditions of employment**

- 1.10.1 All employees of the Council must be engaged on Contracts of Employment agreed by the Head of Service with responsibility for HR and in accordance with the Council's approved Terms and Conditions of Employment.
- 1.10.2 The Council will follow Advisory, Conciliation and Arbitration Service (ACAS) guidance for any changes to terms and conditions of employment.

# Agenda Item 6

## 1.11 HR Plans

- 1.11.1 The Head of Service considering variations to the approved Human Resource Plans or structure of their operating unit(s) shall, at the earliest opportunity, discuss the proposals with the Head of Service with responsibility for HR, who will advise on the procedure to be followed.
- 1.11.2 The Head of Service with responsibility for HR shall be notified immediately of all changes to staffing in order that the necessary processes and documentation may be undertaken.

## 1.12 Training and development

- 1.12.1 The Head of Service shall be responsible for the training and development of employees under his/her direction in order to meet the needs of the Council and those of the employee, within the resources made available for the purpose. He/she shall liaise closely with HR in the execution of this responsibility.
- 1.12.2 The Chief Executive or Head of Paid Service shall be responsible for monitoring the business benefit provided through the training and learning opportunities afforded for all employees and that employees have the skill necessary to deliver the Council's services.

## 1.13 Discipline, performance and grievances

- 1.13.1 Disciplinary action will be taken in line with Annex 1 to Procedure Rule 9.
- 1.13.2 Performance related matters will be dealt with in accordance with HR Policies and Procedures.
- 1.13.3 Grievance matters will be dealt with in accordance with the Council's grievance and appeal procedures.
- 1.13.4 The Head of Service with responsibility for HR shall be informed of all grievances formally raised by employees and of all cases where any Officer is planning to take disciplinary or capability action.
- 1.13.5 The Head of Paid Service, Monitoring Officer and Chief Finance Officer in addition to the Head of Service with responsibility for HR will be informed where disciplinary action is planned in cases of misappropriation by an employee of funds and/or property belonging to the Council or any other form of gross misconduct.

## 1.14 Health and Safety Policy

- 1.14.1 All employees are required to follow the principles of Health and Safety as set out in the Council's Policies and Procedures which forms part of the Council's Conditions of Employment.
- 1.14.2 Members of the Management Team are responsible for the maintenance of the policy within their service areas and shall liaise closely with the Head of Service with responsibility for Health & Safety.

# Agenda Item 6

## 1.15 Equal opportunities and dignity at work

- 1.15.1 Reigate and Banstead Borough Council is committed to providing a working environment in which any employee, volunteer or client/customer:
- (i) is treated with dignity, respect, courtesy and fairness and is free from harassment, bullying or victimisation.
  - (ii) does not experience any form of discrimination on any basis including his or her age, disability, gender reassignment & sexual orientation, marriage & civil partnerships, pregnancy & maternity, race, religion & belief, sex or responsibilities for dependants.
- 1.15.2 The Council is also committed to ensuring that its services are available to all members of the Community.
- 1.15.3 Members of the Management Team are responsible for ensuring that the policy is implemented and that all employees observe their responsibilities towards each other and service delivery.

**ANNEX 1 - OFFICER EMPLOYMENT RULES RESPONSIBILITY FOR FUNCTIONS**

<b>OFFICER</b>	<b>RECRUITMENT</b>	<b>DESIGNATION</b> (where already an employee of the Council)	<b>DISCIPLINARY / DISMISSAL</b>	<b>APPEAL AGAINST DISCIPLINARY / DISMISSAL</b>
Head of Paid Service Chief Finance Officer Monitoring Officer Chief Executive (if not also Head of Paid Service)	COUNCIL (on recommendation of Employment Committee)	COUNCIL	COUNCIL (who must consider any advice, views or recommendations from an independent panel, the conclusions of any investigation and representations from the officer concerned)	COUNCIL
Deputy Chief Executive	Employment Committee (taking into account the advice of the Head of Paid Service)	N/A	Employment Committee	COUNCIL
Direct Reports to the Chief Executive	Employment Committee (taking into account the advice of the Head of Paid Service)	N/A	Head of Paid Service or Officer(s) nominated by him/her  Employment Committee to be consulted and briefed on the disciplinary / dismissal arrangements (including any compensation agreements)	Head of Paid Service or Officer(s) nominated by him/her ( <i>must be different to the person undertaking disciplinary / dismissal process</i> )
Heads of Service	Head of Paid Service or Officer(s) nominated by him/her	N/A	Head of Paid Service or Officer(s) nominated by him/her	Head of Paid Service or Officer(s) nominated by him/her ( <i>must be different to</i>

20

Employment Committee  
20 June 2019

Agenda Item 6

Part 4: RULES OF PROCEDURE

Procedure Rule 9 - Officer Employment  
Annex 1 – Officer Employment Rules Responsibility for Functions

	The lead Member of the Executive to be consulted and briefed in the recruitment of any Head of Service under their Portfolio			<i>the person undertaking disciplinary / dismissal process)</i>
Other Employees	Head of Paid Service or Officer(s) nominated by him/her	N/A	Head of Paid Service or Officer(s) nominated by him/her	Head of Paid Service or Officer(s) nominated by him/her <i>(must be different to the person undertaking disciplinary / dismissal process)</i>

This page is intentionally left blank

# Agenda Item 8



<b>SIGNED OFF BY</b>	Chief Executive
<b>AUTHOR</b>	Kate Brown, Head of Organisational Development
<b>TELEPHONE</b>	01737 276092
<b>EMAIL</b>	Kate.Brown@reigate-banstead.gov.uk
<b>TO</b>	Employment Committee
<b>DATE</b>	Thursday, 20 June 2019
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Corporate Direction and Governance

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	N/A

<b>SUBJECT</b>	Director Vacancy and Interim Section 151 Arrangements
----------------	---

## RECOMMENDATIONS

- (i) That Pat Main, Interim Head of Finance, be appointed as the Council's interim Section 151 Officer for the period up to the appointment of the permanent Section 151 Officer.
- (ii) That the statutory Section 151 responsibilities move from the Director of Finance and Organisation position, to the Head of Finance position.
- (iii) That following discussions regarding the remit of the role, that plans can commence by officers to recruit to the Director vacancy.

## REASONS FOR RECOMMENDATIONS

The Council is legally required to have a Section 151 Officer and the interim appointment recommendation will ensure we comply with our statutory obligations.

The recommendation to move the Statutory 151 responsibilities from the Director position is made to reflect previous arrangements when the statutory responsibilities were held at Head of Service level and the parity of this in the organisation structure (the statutory Monitoring Officer responsibilities also sit at Head of Service level). Also by removing the Section 151 responsibilities from the Director role, this widens significantly the potential number of professionals that would be able to apply for the Director role (not just limited to finance professionals with a formal accountancy qualification).

Although interim arrangements have been put in place to help address the challenges of the Director position being vacant, these arrangements are not sustainable in the long term. For

# Agenda Item 8

this reason, following discussions on the remit of the role, the recommendation is made that officers commence plans to recruit.

## **EXECUTIVE SUMMARY**

This report outlines the arrangements for the Council's Statutory 151 responsibilities, including where in the organisation structure it is recommended this responsibility should sit. Also addressed in the report is the remit of the vacant Director position for consideration and the recommendation that once this is reviewed and agreed by the Committee, officers can commence recruitment to the role.

**Recommendation (i) above is subject to approval by Full Council. Recommendations (ii) and (iii) are for agreement by the Employment Committee.**

## **STATUTORY POWERS**

1. Section 151 of the Local Government Act 1972 requires every authority in England and Wales to "... make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs". The person holding these responsibilities is referred to as the 'Section 151 Officer' (S151 Officer).
2. Section 113 of the Local Government Finance Act 1988 requires the S151 Officer to be a member of a specified accountancy body. Additional responsibilities are set out in Section 114 of that Act and in the Accounts & Audit Regulations 2015.
3. The S151 Officer plays a key role in helping the organisation balance local service needs with corporate interests whilst ensuring compliance with all financial, statutory and constitutional requirements.

## **BACKGROUND**

4. The Director of Finance and Organisation (Director of F&O) position has been vacant since 13<sup>th</sup> April 2019. Interim arrangements have been put in place to ensure that those services within the Organisation Directorate continue to report into a Director or to the Chief Executive and key projects/piece of work continue to be progressed.
5. The previous incumbent in the Director of F&O role had a professional financial background, having originally joined the Council as the Head of Finance and S151 Officer. They then retained responsibility for the statutory S151 duties when they moved from Head of Service level to the Director of F&O following a review of the organisational structure in the Summer of 2018.
6. An interim Head of Finance & Assets, Pat Main, was appointed in October 2018 with the remit to cover the vacant role and to support the Director of F&O in reviewing the Finance service and team structure so that the role of the permanent Head of Service could be confirmed ready for permanent recruitment. Pat is a highly experienced finance professional with previous S151 experience with two local authorities (see

# Agenda Item 8

Annex 1 for Pat's CV, as set out in the exempt part of the Agenda). During the period of Pat's interim appointment the S151 responsibilities remained with the Director of F&O.

7. The Director of F&O leaving the Council's employment has prompted a need to review the remit of the Director position, including where in the structure the S151 responsibilities should sit – remain at Director level or move back to Head of Service level. The Committee is also requested to consider the arrangements to appoint the interim S151 Officer.

## KEY INFORMATION

### Interim Statutory Section 151 Appointment

8. Given that the Council is legally required to have an appointed S151 officer, it is recommended that Pat Main be formally appointed as the interim S151 officer, whilst a permanent solution is worked through. This will be until such time that a permanent officer is confirmed and appointed into the role. The Employment Committee Members were advised of the position and informally agreed this approach in April 2019, just prior to the local elections.

### Remit of the Director Position

9. The Director of Finance & Organisation is one of three Director positions in the Management Team, reporting to the Chief Executive. They are responsible for providing the overall direction and focus that enables the Council to deliver its agreed objectives, by working closely with the Chief Executive, other Directors, Heads of Service and elected Members.
10. Effective leadership is key in the role, as is ensuring the delivery of the Corporate Plan and overseeing delivery of service/business plans in their Directorate. See Annex 2 for the detailed Director generic role profile.
11. The services that fall within the Organisation Directorate are:
  - Corporate Policy
  - Projects & Performance (including Emergency Planning, Service Improvements, Support Services)
  - Organisational Development & Human Resources
  - IT and Web & Information
  - Legal & Governance (including Procurement, Democratic Services, Elections)
  - Finance & Assets (Finance, Property & Facilities and Commercial)
12. As referenced in the 'Background' section above, the organisation structure was reviewed in the summer of 2018 and at this time, the new Directorate of 'Organisation' was created. The previous incumbent to the Director role came from a professional financial background (having been the the Head of Finance previously) and therefore when she moved into the Director position, retained the S151 responsibilities, and amended the job title to reference 'Finance'.
13. Now the position is vacant, it is the right opportunity to review the remit of the position, and where in the organisation the S151 responsibilities should sit.
14. More details on the role and responsibilities of the s151 Officer are set out in CIPFA's

## Agenda Item 8

*Statement on the role of the Chief Financial Officer (CFO) in Local Government (2014) (Annex 3).* They are expected to be:

- A key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- Lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

15. Returning S151 responsibilities to the Head of Service role is not anticipated to impede the postholder's ability to carry out their CFO responsibilities effectively, given the relative size of Reigate & Banstead Council as an organisation and the collaborative way that its management arrangements currently operate. Obviously this will be dependent on the S151 Officer continuing to have direct and unimpeded lines of communication with the other statutory officers, with all Directors and Heads of Service, and with Members of the Executive and Scrutiny functions. There are also personal capacity benefits to the postholder as they will be able to focus their attention on leading the Finance function rather than having line management responsibilities for a wide range of other services.
16. Another reason to move the S151 responsibilities away from the Director position is around recruiting to the Director vacancy. Given recruitment best practice and the breadth of services in the Directorate, it is advisable that we target as large a talent pool as possible for the role. If the S151 responsibilities remain with the Director, the talent pool will be narrowed significantly, to only target those individuals with significant financial experience and a formal accountancy qualification.
17. It should also be noted that the Council's statutory position of Monitoring Officer sits at Head of Service level (this responsibility sits with our the Head of Legal & Governance). Moving the S151 to Head of Finance level creates some structural parity.
18. If it is agreed that the S151 responsibilities move to the Head of Finance, the proposal will be to remove the explicit reference to Finance from the job title and it reverts back to the "Director of Organisation".
19. The Employment Committee need to be aware that we are currently in the process of recruiting to the permanent Head of Finance position. As well as promotion via our usual advertising methods (recruitment websites, social media promotion, etc.), we have engaged with Penna to help us with this appointment. Penna are executive recruitment consultants and have particular expertise and potential candidate contacts within the Local Government finance professional field as well as potential financial candidates from other sectors.

# Agenda Item 8

20. The closing date for the Head of Finance recruitment campaign is 21<sup>st</sup> June and interviews are provisionally scheduled for 10<sup>th</sup> July. Making a firm decision now on where the S151 Officer responsibilities 'sit' will allow us to make sure that the Head of Finance recruitment focuses on identifying candidates that are ready to take on the full responsibilities. We anticipate that with any notice periods that may need to be worked, we could be looking at a situation where the successful candidate may be in a position to start with us in the autumn. Arrangements have been made with Pat for her to remain as the interim Head of Finance until the autumn, when all being well a permanent Head of Finance will start.
21. If it is agreed that the S151 responsibilities move to the Head of Finance, this will revert to the permanent incumbent on their commencement date.
22. If it is agreed that the S151 responsibilities move to the Head of Finance role, we will need to ensure our current recruitment timeline and process takes into account the involvement of the Employment Committee to appoint (recommendation to Full Council) to the S151 part of the role. It is suggested that the Employment Committee members could consider suitable candidates for the role at an evening meeting on 10<sup>th</sup> July.
23. If this is agreed, arrangements will be made to ensure the Employment Committee are fully briefed on the potential candidates, the process and the Committee's exact role in the appointment. Arrangements will also be made to ensure that members of the committee are suitably trained particularly in the law around recruitment and selection and discrimination, before needing to meet to appoint/make recommendations to Full Council for the S151 role.

## OPTIONS

24. With regards to the Director vacancy, the Employment Committee has a number of options to consider:
  - Once the remit of the position has been discussed and agreed, work commences to recruit to the vacant post. (recommended)
  - That officers review alternative ways of managing the vacancy/recruitment to the position and report back to the Committee. This would lead to a period of further uncertainty for the organisation and would necessitate us continuing or reviewing our interim 'caretaking' arrangements. Capacity issues within the Management Team could be a risk with this option. (not recommended)
  - That the position is deleted from the Council's establishment. This option would create long term capacity pressure on the Management Team. (not recommended).

## LEGAL IMPLICATIONS

25. Procedure Rule 9 of the Constitution (Officer Employment) requires the appointment of the Chief Finance (S151) Officer is made by Full Council following a recommendation from the Employment Committee.
26. Full Council may only make or approve these appointments where no well-founded

# Agenda Item 8

objection has been made following notification to all Executive Members of:

- (i) the name of the person concerned;
- (ii) any other particulars relevant to the appointment; and
- (iii) the date by which objections must be made.

27. An Executive Member wishing to make an objection must notify the Leader in sufficient time to enable him to lodge an objection that must be material and well founded on behalf of the Executive to the Proper Officer in writing within 5 working days unless specifically extended.

## **FINANCIAL IMPLICATIONS**

28. The cost of the Head of Finance (including S151 Officer responsibilities) and the Director posts is provided for within existing approved budgets.

## **EQUALITIES IMPLICATIONS**

29. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
  - Advance equality of opportunity between people who share those protected characteristics and people who do not;
  - Foster good relations between people who share those characteristics and people who do not.
30. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.
31. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:
- How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
  - Whether the impact on particular groups is fair and proportionate;
  - Whether there is equality of access to service and fair representation of all groups within the Borough;
  - Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

## **COMMUNICATION IMPLICATIONS**

32. Given the seniority of the Head of Finance role, and wanting to attract the best talent to the role, as explained above we have engaged with Penna using their expertise for the recruitment of the Head of Finance. They have worked with us to create our recruitment campaign information, including a dedicated microsite for the role.

# Agenda Item 8

33. If it is agreed to commence recruitment for the Director vacancy, the most effective methods will be considered by HR and the Management Team, which will again include consideration of external senior recruitment consultant/executive search methods, similar to the engagement with Penna .

## **HUMAN RESOURCES IMPLICATIONS (if applicable)**

34. Both the Director and Head of Finance roles are approved and budgeted positions in the Council's establishment.

## **RISK MANAGEMENT CONSIDERATIONS**

35. Should the S151 responsibilities remain at Director level, we will restrict the potential candidate pool. There is a risk of not being able to fill the vacancy, given the limitations.
36. Although interim arrangements have been put in place to address the vacant Director role, this is not sustainable in the longer term. If the Director role remains vacant, risk will arise around officer capacity and the impact on delivery of key pieces of work.

## **OTHER IMPLICATIONS**

37. N/A

## **CONSULTATION**

38. Engagement around the interim S151 proposed arrangements took place with the the previous Employment Committee.
39. Executive Members will be consulted on the proposed appointments as detailed in the legal implications section of the report.
40. The Portfolio Holder for Finance has been consulted with regards to the recruitment process for the Head of Finance.

## **POLICY FRAMEWORK**

41. Ensuring we attract and retain the best people contributes to our Corporate Plan objective of being a Great Council. The three Directorate were established to mirror our Corporate Plan priority theme areas.

## **ANNEXES**

Annex 1 - Curriculum Vitae – Pat Main (restricted)

Annex 2 - Director generic role profile

Annex 3 - Role of the Chief Financial Officer in Local Government, CIPFA 2016.

This page is intentionally left blank

## ROLE PROFILE

<b>Role Title:</b>	Director
<b>Role Ref:</b>	Director 1
<b>Overall Purpose of Role:</b>	To lead on the delivery of public services for the Community as required by the Council and ensure that appropriate professional advice is provided at all times.

### Role Specific Accountabilities

Key Areas	Key Elements
<p><b>Delivering Results</b> Delivering high quality services to the community/customer</p>	<ul style="list-style-type: none"> <li>• Provide the overall direction and focus that enables the Council to deliver its agreed objectives by working with the Chief Executive and other Directors.</li> <li>• Deliver results to meet the needs of the Community/Customer through effective leadership of people.</li> <li>• Ensure delivery of the Corporate Plan and oversee delivery of Service Plan objectives for own areas of responsibility.</li> <li>• Monitor, evaluate and provide feedback to Members and the Chief Executive on the performance of the organisation and take the actions necessary for continuous improvement.</li> <li>• Provide appropriate and timely advice to assist Member decision making – discharging all statutory and professional obligations and enabling decisions to be made with all relevant facts.</li> <li>• Deliver the tasks agreed annually in your performance agreement and consider with the Chief Executive how change can be addressed.</li> </ul>
<p><b>Managing Relationships</b> Creating a climate that enables people to achieve business objectives</p>	<ul style="list-style-type: none"> <li>• Develop a climate that enables positive relationships with all stakeholders (interested parties, internally and externally) so that the Corporate and Community Plans can be delivered.</li> <li>• Lead by example by acting as a positive and constructive role model for the organisation.</li> <li>• Ensure that all Members of the Council are informed, as appropriate, on relevant Council business.</li> <li>• Ensure relationships with Members and Unit Managers are the most effective through fostering an integrated approach for achieving optimum business requirements.</li> <li>• Protect the Council's interests through effective representation with relevant external agencies, etc. (notwithstanding needing to comply with statutory and professional obligations – see Delivering Results.)</li> <li>• Promote the Council's services as appropriate with relevant external agencies, etc.</li> </ul>
<p><b>Managing Resources</b> Utilising resources effectively</p>	<ul style="list-style-type: none"> <li>• Work with Members to enable decisions about the provision and allocation of corporate resources to be made with all the relevant facts.</li> <li>• Work with the Chief Executive and other Directors to ensure that the Council effectively utilises all the resources at its disposal in the delivery of the Corporate Plan.</li> <li>• Ensure that the resources allocated to the Services are utilised in the</li> </ul>

F:\Reigate-Banstead\Data\AgendaItemDocs\1\0\3\A100002301\Xm0wts5e.doc

	<p>most effective and efficient manner.</p> <ul style="list-style-type: none"> <li>• Oversee all budgets managed by the Directorate/Department as appropriate and ensure that appropriate corrective action is taken should spending or income deviate from the Council's agreed budget profile.</li> <li>• Manage partnerships to ensure delivery of the Community Plan, optimising internal, external and other agency resources as appropriate.</li> </ul>
<p><b>Managing Processes</b> Ensuring high standards, best practice and business improvement</p>	<ul style="list-style-type: none"> <li>• Ensure the Council's policies, processes and practices are of a high standard, compare favourably with Best Practice, comply with legislation and/or meet the needs of the Council.</li> <li>• Ensure that service and related plans and budgets are prepared in accordance with Corporate guidelines and in consultation with Members.</li> <li>• Develop and confirm with the Chief Executive Performance Agreement that reflects responsibilities – Corporate and Service – and report on delivery of agreed tasks and projects.</li> <li>• Attend and assist the workings of appropriate Member level decision making through development of an effective policy framework.</li> </ul>
<p><b>Future Focus</b> Providing a sustainable future</p>	<ul style="list-style-type: none"> <li>• Work with Members to continuously review and develop the strategies and policies for the Council, taking into account the views of all stakeholders.</li> <li>• Build a sustainable future for the Community.</li> </ul>

<b>Competencies required at trained and proficient level</b>			
<b>Core Competencies</b>	<b>Level</b>	<b>Role Specific Competencies</b>	<b>Level</b>
Self-Motivation	3	Influencing & Communication	2(O)
Adaptability	3	Financial/Commercial Awareness	3
Quality Focus	3	Planning & Project Mgt	3
Customer Care	3	People Management	2
		Decision Making	3
		Strategic Thinking	3
		Creativity & Innovation	3

## ROLE HOLDER PROFILES

Necessary role related knowledge, skills and experience at selection	
<p style="text-align: center;"><b>ESSENTIAL</b></p> <p><b>Knowledge</b></p> <ul style="list-style-type: none"> <li>• A thorough knowledge, background and qualification in a relevant professional discipline relating to one or more of the relevant services and possibly a degree.</li> <li>• Knowledge and understanding of principles, tools, techniques and developments in management, including quality improvements, organisational change and staff motivation and evidence of management development through qualification and/or continuous development</li> <li>• Understanding of the need for equality of opportunity in employment and service delivery</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• A successful track record and background of consistent personal achievement as a senior manager within a large complex organisation – ideally over a period of five years or more</li> <li>• Leadership at senior management level in the corporate affairs and corporate working of a local authority or other large multi-disciplined organisation in either the public or private sector</li> <li>• Experience of working effectively in co-operation with a wide range of internal and external bodies including both statutory and non-statutory organisations, paid and elected personnel</li> <li>• A proven track record of setting, promoting, leading and implementing strategies and change programmes to co-ordinate, deliver and improve the development and quality of services and general management</li> <li>• A successful track record of building, leading, managing and developing multi-disciplined teams in a complex organisation</li> <li>• Significant involvement in the preparation, management and control of large and complex departmental and corporate budgets</li> <li>• Demonstrable achievement in successfully leading high profile programmes .</li> <li>• Leading both organisational and service change in a demanding public (and possibly political) arena</li> </ul>	<p style="text-align: center;"><b>ESSENTIAL</b></p> <p><b>Skills and abilities</b></p> <ul style="list-style-type: none"> <li>• Ability to lead, inspire and respond positively to organisational and cultural change</li> <li>• Excellent communicator with ability to work effectively in a Political environment and develop relationships with a wide range of organisations and individuals both internally and externally</li> <li>•</li> <li>• Ability to plan, manage and monitor projects and programmes of work, commission and manage the work of internal and external service providers, act on own initiative and meet deadlines</li> <li>• Ability to develop practical and creative solutions to the management of strategic management issues in a progressive and complex organisation</li> </ul> <p><b>Personal Values and Circumstances</b></p> <ul style="list-style-type: none"> <li>• Commitment to finding positive solutions and adding value to the Council’s aim, vision and values priorities and commitments</li> <li>• Available for evening and occasional weekend work</li> <li>• Prepared to adapt working time at short notice in response to legitimate expectations of others</li> </ul>

## Progression in Role

<b>Initial Induction / Training Required:</b>
Estimated time to get up to speed: <input type="text"/>
<ul style="list-style-type: none"><li>• Familiarisation with Committee and meeting structure requirements</li><li>• Familiarisation and building initial contacts/relationships with key players on Committees etc, particularly externally</li><li>• Understands and has performed the Budgetary and service planning process for the Department and is fully conversant with its overall relationship to Council objectives</li><li>• Demonstrate effective utilisation of resources</li><li>• Achieve expected standards and objectives</li></ul>
<b>Progression in Role: How would trained and proficient in role be displayed?</b>
<ul style="list-style-type: none"><li>• Provide effective direction to the Council that enables it to deliver its objectives</li><li>• Proficiently and effectively lead a Service in the delivery of results that meet the needs of the Community/Customer</li><li>• Able to ensure the delivery of the Service Plan objectives for own area of responsibility</li><li>• Undertake monitoring evaluation and provision of feedback on the performance management of the organisation and take the actions necessary for continuous improvement</li><li>• Fully support the Corporate Management team by effectively contributing on own Directorate</li><li>• Enable the development of an effective Council vision/strategy through contributing a strategic dimension to the process and translating this effectively to delivery of services in own Directorate.</li><li>• Anticipates and ensures future proofing has been undertaken in setting strategies that ensure a sustainable future for the Community</li><li>• Critically review the status quo and propose alternative solutions that enhance service delivery and/or value for money to Customers/Community</li><li>• Demonstrate that has built trusted and positive relationships with key managers and Members and is valued by them for objectivity and judgement</li><li>• Use all available resources at disposal effectively</li><li>• Forge strategic partnerships with other internal and external individuals/groups so that resource is maximised and used to its optimum</li></ul>
<b>Advanced: What characteristics will the advanced role holder display?</b>
Estimated time to get to advanced: <input type="text"/>
<ul style="list-style-type: none"><li>• Initiate and lead on substantial change to meet the needs of the Council/Community</li><li>• Ensure that the Council strategy and policy framework is agreed and reviewed regularly</li><li>• Ensure that the implementation of policy is consistent with achieving best performance, by setting challenging targets, measuring performance implementation, evaluating and learning from such reviews and initiating improvements where appropriate</li><li>• Effectively manage the political/officer interface for the benefit of the wider organisation</li><li>• Lead, develop and motivate the wider team so that they give of their best in delivering the aims and objectives of the Council for its Customers/ key stakeholders.</li><li>• Continuously encourage and deliver process improvement across Departments so that value for money and the high quality results are achieved.</li><li>• Develop the Senior team through coaching, encouraging continuous development and by setting an example as a role model that others will follow.</li><li>• Encourage and reinforce cultural change that emphasises high quality customer care and safety</li><li>• Widely known and has high credibility and respect both internally and externally</li></ul>

Where would you expect to see 'outstanding' regularly displayed at this level, or has a level increased or another competency been introduced?

<ul style="list-style-type: none"> <li>• Quality Focus                      Level 3 (O)</li> <li>• Teamwork                            Level 3 (O)</li> <li>• Planning &amp; Project Mgt            Level 3 (O)</li> </ul>	<ul style="list-style-type: none"> <li>• People Management                Level 2 (O)</li> <li>• Problem Solving                    Level 3</li> <li>• Strategic Thinking                   Level 3</li> </ul>
--	--

This page is intentionally left blank

# the role of the chief financial officer

in Local Government

## CIPFA Statement on the role of the Chief Financial Officer in Local Government

### The chief financial officer (CFO) in a public service organisation:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### To deliver these responsibilities the chief financial officer:

- must lead and direct a finance function that is resourced to be fit for purpose
- must be professionally qualified and suitably experienced.

## Contents

Foreword .....	3
Definitions used throughout the document .....	4
Introducing the CIPFA statement.....	6
Using the CIPFA statement.....	7
Principle 1 .....	8
Principle 2 .....	12
Principle 3 .....	17
Principle 4 .....	24
Principle 5 .....	27
Appendix A – Legislative Requirements.....	29
Appendix B – Flow chart for section 114 procedures .....	34

# \ foreword

This Statement on the Role of the CFO in Local Government describes the role and responsibilities of CFOs in local government. It builds heavily on CIPFA's Statement on the Role of The CFO in Public Services<sup>1</sup> and applies the principles and roles set out in that document to Local Government.

The CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. While the global financial crisis and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role. Achieving value for money and securing stewardship are key components of the CFO's role

in public service organisations, a duty enshrined in legislation for the CFO in local government.

In order to support CFOs in the fulfilment of their duties and to ensure that local authorities have access to effective financial advice at the highest level, CIPFA is introducing a 'comply or explain' requirement in the annual statement of accounts.

**Rob Whiteman**

Chief Executive  
CIPFA

---

<sup>1</sup> [www.cipfa.org/policy-and-guidance/reports](http://www.cipfa.org/policy-and-guidance/reports)

# definitions used throughout the document

The public services have a variety of organisational structures and governance arrangements. Some include elected representatives, while others are wholly appointed. The following terms are used throughout the Statement in a generic sense. The Statement and the supporting guideline and requirements need to be read in the context of these. Terms in use in different parts of the public services can be substituted for the generic terms used here.

## **Chief Financial Officer (CFO)**

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

## **Deputy Finance Officer**

Is the designated deputy finance officer for the chief finance officer.

## **Leadership Team**

Comprises the Board and management team.

## **Board**

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

## **Management Team**

The group of executive staff comprising the senior management charged with the execution of strategy.

## **Chief Executive**

The most senior executive role in the organisation.

## **Deputy CFO**

The deputy supports the CEO and has delegated authority.

## **Managers**

The staff responsible for the achievement of the organisation's purpose through services/businesses and delivery to its clients/customers.

## **Finance Function**

The staff with a prime responsibility for financial matters, located either in a central department or within business/service areas. Some functions may be outsourced.

## **Governance<sup>2</sup>**

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner.

## **Financial Management<sup>3</sup>**

The system by which the financial aspects of a public service organisation's business are directed, controlled and influenced, to support the delivery of the organisation's goals.

## **Audit Committee**

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

<sup>2</sup> *The Good Governance Standard for Public Services 2004*, OPM and CIPFA, 2004 [www.cipfa.org/policy-and-guidance/reports](http://www.cipfa.org/policy-and-guidance/reports)

<sup>3</sup> *CIPFA FM Model*, [www.cipfa.org/fmmodel](http://www.cipfa.org/fmmodel)

**Internal Audit**

An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives.

**Head of Profession**

The leading professionally qualified accountant charged with promoting professional standards within the organisation.

**Annual Governance Report**

The mechanism by which an organisation publicly reports on its governance arrangements each year.

**Public Service Organisation**

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned, and receive public and/or charitable funding.

# introducing the CIPFA statement

This Statement on the role of the Chief Financial Officer (CFO) in Local Government aims to give detailed advice on how to apply the overarching public services Statement within local government.

The CFO in local government is not only bound by professional standards but also by specific legislative responsibilities. This statement should also be applied to those individuals who carry out the role of deputy CFO or section 151 officer. They must have regard to the fact that delegated responsibility brings with it all the professional standards and legal responsibilities of the CFO. The role and responsibilities of the 'treasurer' were developed by case law in England and Wales. In *Attorney General v De Winton* 1906, it was established that the treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements.<sup>4</sup>

Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires local authorities to make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and for those arrangements to be carried out under the supervision the chief financial officer.

This Statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role. The Statement is not intended to be exhaustive and does not negate the personal responsibility of finance professionals to ensure that they comply with all professional standards and legislative requirements. It is intended to codify the key responsibilities of the CFO in local government and assist those carrying out that role in ensuring that they meet the key personal duties of the role. The Statement refers to CIPFA's Statement of Professional Practice with which all CIPFA members are required to comply. For members of other accountancy bodies this represents best practice within the public sector. All professional accountants should also have regard to their own body's Code of Ethics as well as that produced by International Ethics Standards Board for Accountants (IESBA) on behalf of the International Federation of Accountants (IFAC).

Contained with the appendices for completeness is a description of the legislative framework.

---

<sup>4</sup> For the Greater London Authority and its four functional bodies (Transport for London, the London Development Agency, the Metropolitan Police Authority and London Fire and Emergency Planning Authority,) the chief finance officer is not a s151 officer but a s127 officer (GLA Act 1999). For the City of London the chief finance officer the 1989 Local Government and Housing Act that places the Chamberlain in the same relationship to the Court of Common Council as applies to local authority chief financial officers to their councils.

# using the CIPFA statement

## Statement approach and structure

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation
- the role
- the individual.

For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

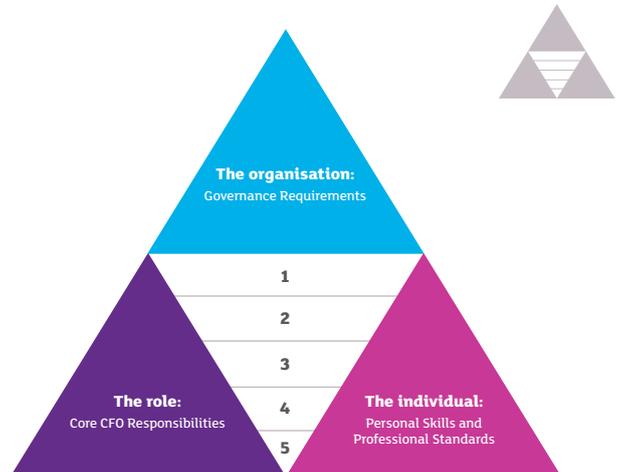
## CIPFA Statement on the role of the chief financial officer (CFO) in public service organisations

### The CFO in a public service organisation:

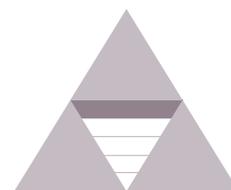
- 1 is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- 2 must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy
- 3 must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### To deliver these responsibilities the CFO:

- 4 must lead and direct a finance function that is resourced to be fit for purpose
- 5 must be professionally qualified and suitably experienced.



# \ principle 1



The chief financial officer in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

## Key member of the leadership team

The leadership team in public services organisations takes many forms, with different mixes of executive and non-executive members and elected representatives. Collectively the leadership team are responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. In recognition of the centrality of financial issues to organisational success it is UK government policy that all government departments should have a professional CFO reporting directly to the permanent secretary with a seat on the departmental board, with a status equivalent to other Board members. HM Treasury recommends 'It is good practice for all other public sector organisations to do the same, and to operate the same standards'.<sup>5</sup> CIPFA fully supports the Treasury's recommendation.

Local authorities operate a number of different democratic models. In local authorities, therefore, the concept of the leadership team will include executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority. The CFO should play a key role within these leadership teams whilst balancing their responsibility to advise all members.

Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers.<sup>6</sup> The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the chief executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report<sup>7</sup>, together with how these deliver the same impact.

## Developing and implementing organisational strategy

All local authorities face competition for limited public funds and have to balance expenditure needs against the burden of local taxation. Many will have allocated cash limits, while others have tax raising powers. All will be concerned to examine opportunities, with suitable assessment of legal powers and risk, for building income streams, whether through attracting external grants, charging for services, or commercial activity. Strategic planning needs to be based on an understanding of the external political landscape, the authority's demand and cost drivers, and the need to manage and fund longer term commitments on a sustainable basis. Increasingly local authorities are working with statutory and in partnership, requiring strategy and development across a number of different partners. Local authorities strategic planning frameworks need to allow for this.

Finance translates ambitions and goals across the authority into a common language, so the CFO must share in the strategy development and implementation responsibilities of the leadership team. These include supporting elected representatives under the proper governance arrangements and the CFO must be in a position to provide unfettered advice to elected representatives to inform their decision making.

The CFO must also ensure the members of the leadership team have the financial capabilities necessary to perform their own roles effectively. There is a duty on the leadership team to ensure the decisions framework is sufficient to allow this, e.g. LEP and partnership decisions. The CFO must encourage continuous improvement and development to enable the authority to deliver at the highest levels. As well as having the fundamental concern for probity and control,

<sup>5</sup> HM Treasury 'Managing Public Money' Annex 4.1. 2007

<sup>6</sup> The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body. There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

<sup>7</sup> The Annual Governance Statement is currently voluntary in Scotland.

the CFO must be proactive in managing change and risk, be focussed on outcomes, and help to resource the authority's plans for change and development in the public services it provides. As a key member of the leadership team, the CFO must also behave in ways that are consistent with the authority's agreed values, objectives and appetite for risk.

### **Helping resource and deliver organisational objectives**

There is a growing trend for CFOs to hold a range of different responsibilities beyond finance, including managing other services or leading change programmes. Whilst these can develop the individual as a corporate manager, authorities must not let the CFO's core financial responsibilities be compromised through creating too wide a portfolio. Dilution and/or overload in the role of the CFO can result in poor financial outcomes for the authority. Setting out the core CFO responsibilities in this Statement is intended to allow local authorities and their CFOs to assess their job descriptions to ensure that their core finance responsibilities can be properly performed.

Local authorities also need to engage with partners through a range of collaborative or commissioned relationships in order to realise their goals. Partnership working and the focus on community outcomes mean that the CFO needs to understand the financial risks and potential liabilities that may impact on the authority and have appropriate involvement in partnerships' business decisions. The CFO must therefore work to develop strong and constructive working relationships with key decision makers in partner organisations. Where the CFO is providing advice to partner bodies and organisations it remains the CFO's responsibility to ensure that where actual or potential conflicts of interest may occur, the local authority has access to appropriate financial advice independent of that partnership.

### **Delivering the authority's strategic objectives sustainably and in the public interest**

Local authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short-, medium- and longer-term. Maximising public value involves an appreciation of user needs, expectations and preferences, and the planning process must allow for their involvement and influence. The internal process to determine priorities often then needs to grapple with service rationing and difficult trade-offs between different groups of service users, as well as between present and future benefits. The overarching long-term need to match financial resources to the authority's purposes and policies, within constraints of affordability, taken

with the responsibility to citizens and taxpayers for financial stewardship, mean that the CFO must contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives.

Public finance is complex and highly regulated, and the CFO must contribute expert technical advice and interpretation. CFOs must act in the public interest, even if necessary against a perceived organisational interest. In some types of public service organisation, including local authorities, this professional obligation is given statutory backing, and a fiduciary duty is established in case law. In *Attorney General v De Winton* 1906, it was established that the treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. This remains applicable to the CFO.

Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 95 of the Local Government (Scotland) Act 1973 substantially repeats these words for Scottish authorities. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires that "a council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO".

The CFO's duties in England and Wales were significantly extended by section 114 of the 1988 Act which requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer (MO) and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

As holders of the 'red card', the CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health. To ensure that the necessary corrective action is implemented, the CFO must have direct access to the chief executive, other leadership team members, the audit committee and also to external audit.



## Governance requirements

## Principle 1

- Set out a clear statement of the respective roles and responsibilities of the leadership team and its members individually.
- Ensure that the CFO reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members.
- If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.
- Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.
- Ensure that authority's governance arrangements allow the CFO:
  - to bring influence to bear on all material business decisions
  - direct access to the chief executive, other leadership team members, the audit committee and external audit.
- Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.
- Assess the financial skills required by members of the leadership team and commit to develop those skills to enable their roles to be carried out effectively.
- Review partnership arrangements to ensure that the authority always has access to financial advice in relations to its role in partnership.



## Core CFO responsibilities

## Principle 1

- Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective corporate management of the authority, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the authority through development of
  - corporate governance arrangements, risk management and reporting framework<sup>8</sup>
  - corporate decision making arrangements.
- Contributing to the development of public service partnership to deliver objectives.
- Leading or promoting change programmes within the authority.
- Leading development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

<sup>8</sup> CIPFA LAAP 99 Bulletin on Local Authority Reserves



## Personal skills and professional standards

## Principle 1

- Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.
- Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.
- Build robust relationships both internally and externally.
- Work effectively with other leadership team members with political awareness and sensitivity.
- Support collective ownership of strategy, risks and delivery.
- Address and deal effectively with difficult situations.
- Demonstrate best practice in change management and leadership.
- Balance conflicting pressures and needs, including short- and longer- term trade-offs.
- Facilitate the growth of effective partnerships whilst balancing the need to protect the individual financial position.
- Demonstrate strong commitment to innovation and performance improvement.
- Manage a broad portfolio of services to meet the needs of diverse communities.
- Facilitate the growth of effective partnership enabling improved service delivery.
- Maintain an appropriate balance between the technical financial aspects of the CFO role and broader focus on the environment and stakeholder expectations and needs.
- Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by virtue of their professional status as a member of CIPFA or another accountancy institute. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.

# \ principle 2



The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.

## **Responsibility for financial strategy**

No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the CFO must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality by aligning financial planning with the vision and strategic objectives for the authority.

Within the overall corporate governance and management structure, the CFO has direct responsibility for leading development and implementation of the financial strategy necessary to deliver the authority's strategic objectives sustainably. The CFO must therefore work closely with decision makers to establish a medium- to long-term strategy that ensures the financial sustainability of the authority. This may require the CFO to provide comprehensive advice on alternative delivery models to inform debate.

The CFO must also develop and manage resource allocation models to optimise service outputs and community benefits within funding constraints and any tax raising limits. In implementing these models, the CFO must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed. Models must encompass partnership working, alternative delivery models, capital investment programmes and annual operations, as well as financial targets and benchmarks. They must also take into account future commitments, resources available and the desirable levels of reserves, to ensure that the authority's finances remain sustainable.

The statutory guidance issued by the Secretary of State under the 2000 Local Government Act (England and Wales) advises that local authorities will need to ensure that the CFO and the monitoring officer have

access as necessary to meetings and papers and that members must consult with him/her regularly.<sup>10</sup> The advice continues that the finance director will have an important role in the management of the local authority in particular by:

- contributing to corporate management in particular to the provision of professional financial advice
- maintaining financial administration and stewardship
- supporting and advising all members and officers in their respective roles
- examining alternative delivery models and supporting members in their understanding of each approach
- providing financial information to the media, members of the public and the community.

There is no equivalent legislative requirement in Scotland or Northern Ireland, but the guidance is equally relevant.

## **Influencing decision making**

Local authorities must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the CFO to be actively involved in, and able to bring influence to bear on all material business decisions whenever and wherever they are taken.

The CFO must be able to advise the leadership team directly, including elected representatives, in order to discharge responsibilities in relation to the authority's financial health and long-term viability. The CFO must therefore be a persuasive and confident communicator with the status and credibility to challenge others,

<sup>10</sup> In Wales the statutory guidance does not include this reference but implies that this should be the case.

and influence material business decisions. The CFO's advice and reports to the leadership team must be clear, concise, relevant and timely, highlighting issues that the team needs to be aware of, and options for action.

The CFO must also work to develop strong and constructive working relationships with both the executive and non executive members of the authority's leadership, creating mutual respect and effective communication. Providing information and advice to elected officials as a public servant will call on an understanding of ethics, the wider public interest, and diplomacy.

The Local Government Act 2003 and Local Government Scotland Act 2003 emphasise the importance of sound and effective financial management. In relation to capital financing there is a statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. Advice on fulfilling this responsibility is set out in CIPFA's Prudential Code.<sup>11</sup>

In England and Wales there is also a statutory duty on the CFO to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves. This is a public report. In addition, the Secretary of State in England or the National Assembly for Wales have reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the CFO. There is no equivalent specific legislation in Scotland or Northern Ireland.

The CFO also has a key role to play in fulfilling the requirements of the statutory duty to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.<sup>12</sup>

### **Financial information for decision makers**

At all levels in the authority those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.

The CFO has an important role in ensuring necessary financial information and advice is provided to the leadership team and decision makers at all levels across the authority. Meaningful financial analysis and

robust and impartial interpretation is a key component in performance management, asset management, investment appraisal, risk management and control.

Although not a specific responsibility of CFOs alone, they – along with the monitoring officer and chief legal officer (CLO) – should be alert to the 'Wednesbury' rules<sup>14</sup> which emphasise the importance of ensuring that when developing policy all relevant matters are properly considered. The judgement in the case stated that an authority's action in exercise of a statutory discretion would only be regarded unreasonable, in excess of the powers given by Parliament and therefore invalid if:

- in making its decision it took into account matters which it ought not to take into account, or
- it did not take into account matters which it should have taken into account, or
- even if the two previous conditions were satisfied the conclusion was so unreasonable that no reasonable authority could ever come to it.

These principles apply regardless of whether decisions on policy are taken by individual members or collectively. In order to demonstrate that these principles have been observed it is important that policy decisions and the associated advice are – as a matter of routine – well and clearly documented. The 'Wednesbury' rules do not apply specifically in Scotland or Northern Ireland, but adherence to these will demonstrate good governance and proper decision making.

---

<sup>11</sup> The Prudential Code for Capital Finance in Local Authorities, CIPFA [www.cipfa.org/publications](http://www.cipfa.org/publications)

<sup>12</sup> Associated Provincial Picture Houses v Wednesbury Corporation (1948).



## Governance requirements

## Principle 2

- Establish a medium-term business and financial planning process to deliver the authority's strategic objectives, including:
  - a medium-term financial strategy to ensure sustainable finances
  - a robust annual budget process that ensures financial balance
  - a monitoring process that enables this to be delivered.
- Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.
- Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.
- Ensuring that budget calculations are robust and reserves adequate, in line with CIPFA's guidance.
- Ensure that those making decisions are provided with information that is fit for purpose – relevant, timely and giving clear explanations of financial issues and their implications.
- Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.
- Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary.
- Ensure the authority understands the budgetary commitment of a contracted service including the longer term financial implications.
- Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance<sup>13</sup>
- Ensure compliance with CIPFA's *Prudential Code for Capital Finance in Local Authorities* and CIPFA's *Treasury Management in the Public Services Code of Practice*.
- Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnerships arrangements, outsourcing or where the authority is acting in an enabling role.
- Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority.
- Ensure that medium-term business and financial planning systems along with ongoing performance monitoring cover the services provided through partnerships and alternative delivery models
- Ensure that the prudential financial framework accurately reflects the commitments and potential future impact of contracted future services

<sup>13</sup> LAAP 99 – Local Authority Reserves and Balances, [www.cipfa.org.uk/pt/download/laap77.pdf](http://www.cipfa.org.uk/pt/download/laap77.pdf)



## Core CFO responsibilities

## Principle 2

### Responsibility for financial strategy

- Agreeing the financial framework and planning delivery against the defined strategic and operational criteria.
- Maintaining a long-term financial strategy to underpin the authority's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Evaluating the financial implications of alternative delivery models.
- Appraising and advising on commercial opportunities and financial targets.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Developing an approach for the delivery of collaborative services within a structured framework.
- Leading on asset and balance sheet management to allow the authority to maximise its effective use of resources.
- Co-ordinating the planning and budgeting processes.
- Involvement in strategic assets management.

### Influencing decision making

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support councillors' strategy development.
- Ensuring that clear, timely, accurate advice is provided to the executive in setting the funding plan/budget.
- Ensuring that advice is provided to the scrutiny function in considering the funding plan/budget.
- Ensuring that the authority's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.

### Financial information for decision makers

- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.
- Monitoring the service impact of 3rd party contacts on the delivery of organisational objectives.
- Monitoring the longer-term financial impact of 3rd party contracts.



## Personal skills and professional standards

## Principle 2

- Take all reasonable steps to ensure that:
  - budgets are planned as an integral part of the strategic and operational management of the authority and are aligned with its structure of managerial responsibilities
  - budgets are constructed on the basis of reliable data of past performance and rigorous assessments of future resources and commitments, and that policies and priorities are evaluated in an open, consistent and thorough manner
  - responsibilities for budget management and control are unambiguously allocated, that commitments are properly authorised, and that budgets are related to clear objectives and outputs
  - the accounting and financial information systems make available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority.
- Implement other appropriate management, business and strategic planning techniques.
- Link financial strategy and overall strategy.
- Demonstrate a willingness to take and stick to difficult decisions – even under pressure.
- Take ownership of relevant financial and business risks.
- Network effectively within the authority to ensure awareness of all material business decisions to which CFO input may be necessary.
- Role model persuasive and concise communication with a wide range of audiences internally and externally.
- Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.
- Apply relevant statutory, regulatory and professional standards both personal and organisational.
- Demonstrate a strong desire to innovate and add value.
- Challenge effectively, and give and receive constructive feedback.
- Operate with sensitivity in a political environment.

# \ principle 3



The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

## **Promotion and delivery of good financial management**

Good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The leadership team collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the CFO who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the authority. The CFO will be instrumental in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the authority's strategic direction.

Financial management is the business of the whole authority. When the leadership team, managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create the financially literate and adept authority. The CFO must actively promote financial literacy throughout the authority and in partnership bodies so that the leadership team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.

## **Best value and value for money**

The CFO has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities, without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the CFO's role in the local authority.

With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the public service. Value for money (economy, efficiency and effectiveness) should be the concern of all managers, but the CFO will need to take the lead in coordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as:

- enabling the authority to measure value for money, and making sure that it has the information to review value for money and performance effectively
- advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources
- providing leadership in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management, collaborating with others where this is more efficient, effective or economical
- ensuring the rigorous financial appraisal and oversight of change programmes, partnership working, income generation proposals and investment projects.

## **Safeguarding public money**

The CFO must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must determine accounting processes and oversee financial management procedures that enable the authority to budget and manage within its overall resources. At the most fundamental level this means ensuring robust systems of risk management and internal control, that financial control is exercised consistently, and that the authority implements appropriate measures to protect

its assets from fraud and loss and to identify and meet the assurance needed.

Where services are provided by partnership and 3rd party arrangements the CFO must ensure the mechanics and assurance mechanics are in place and compliance is monitored.

The CFO also has a specific role with regard to stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting. In addition to the finance director's responsibilities to the authority, a wider role also exists in relation to the general public. The local authority is regarded as the trustee of local citizens' money, and the finance director has the prime obligation and duty to them to manage the authority's resources prudently on their behalf as established in the 1906 de Winton case.

In effect this means that the finance director has a personal responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the finance director's role in local government. This role was strengthened by the Local Government Finance Act 1988 (in England and Wales), which requires the finance director to report inappropriate financial management as well as wrongdoing.

Section 114 of the 1988 Act requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972. Further guidance recommending courses of action to be followed when a report under s114 may be required is attached at appendix B to this Statement. Although

section 114 does not apply to Scotland or Northern Ireland the principles that underlie it and the actions proposed in appendix B are recommended to finance directors as a means of discharging their overall responsibility for sound financial management.

Consistency of standards and transparency in financial activities are essential. In this context, CIPFA's view is that the statutory role of the CFO does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest. As a minimum the CFO would exercise this through ongoing monitoring and obtaining rights of access to information in order to ensure financial probity. CFO's must be satisfied that what ever is being monitored is needed and the information available

The CFO should oversee the appropriate arrangements with respect to service contracts and alternative delivery models.

### **Assurance and scrutiny**

Accountability for public expenditure is a core requirement for local authorities. They are held accountable by intermediary stakeholders, such as scrutiny groups, service inspectorates and external auditors, and by primary stakeholders: the citizens, service users, funders and taxpayers.

Managing information flows is a key component of the CFO's role as an ambassador for the authority on financial matters and in building relationships with stakeholders. The CFO must also provide information and advice to those who officially scrutinise and review the authority; funders, regulators, and external audit, and any group which exercises scrutiny internally. The community, taxpayers and the press also expect information.

Internal audit is an important independent internal scrutiny activity. Internal audits remit does not necessarily end within the organisation boundary but can extend to a partnership and alternative delivery model. The CFO must support the authority's internal audit arrangements and ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

Public service providers face a variety of regulatory requirements and standards for external financial reporting, while measures of value are expressed both as financial and as non-financial performance targets. The role of the CFO in external reporting is to meet the reporting requirements relevant to the authority and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated if the CFO maintains a constructive professional relationship with external auditors and inspectors.

The Accounts and Audit Regulations 2003 (England and Wales), in Scotland, the Local Authority Accounts (Scotland) Regulations 1985 and in Northern Ireland the Local Government (Account and Audit) regulations (Northern Ireland) 2006 impose responsibilities on the finance director relating to accounting records and supporting information, control systems and the statement of accounts.

A key feature of the Regulations in England and Wales is the requirement for internal audit. Regulation 6 requires that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control'. Similar references exist for Northern Ireland in regulation 3a of the Local Government (Account and Audit) regulations (Northern Ireland) 2006. Although there is no specific reference to internal audit for Scotland the successful discharge of the finance director's responsibilities depends in part on effective internal audit.



## Governance requirements

## Principle 3

- Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.
- Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.
- Ensure that the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes. Ensuring that these controls are an integral part of the authority's underlying framework of corporate governance and that they are reflected in its local code.
- Address the authority's arrangements for financial and internal control and for managing risk in Annual Governance Reports.
- Publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance.
- Ensure an effective internal audit function is resourced and maintained.
- Develop and maintain an effective audit committee.
- Ensure that the authority makes best use of resources and that taxpayers and/or service users receive value for money.
- Embed financial competencies in person specifications and appraisals.
- Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.
- Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills, and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.
- Ensure ongoing monitoring of assurance arrangements in respect of partnerships and alternative service delivery models and that appropriate access to information is maintained.



## Core CFO responsibilities

## Principle 3

### Promotion of financial management

- Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction.
- Actively promoting financial literacy throughout the authority.
- Actively promote good financial management throughout all partnerships and alternative delivery models.
- Assisting the development of a protocol which clearly sets out the roles and responsibilities of both democratically elected councillors, whether acting in executive or scrutiny roles, and of officers for financial management, including delegated authority/powers.
- Ensure effective monitoring of partnerships through monitoring and access to information.

### Value for money

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function or being clear on the reasons for alternative selection.
- Advising on the financial thresholds for 'key' decisions where there is a requirement to do so.
- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long-term commercial contract value.

### Safeguarding public money

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.
- Ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.<sup>14</sup>
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the authority's own funds or the pension and trust funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption.

<sup>14</sup> CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom* developed by the CIPFA/LASAAC Joint Committee  
[www.cipfa.org/publications](http://www.cipfa.org/publications)



## Core CFO responsibilities

## Principle 3

- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.
- Be alert to potential conflicts of interest and ensure the authority has access to appropriate independent advice.

### Assurance and scrutiny

- Reporting performance of both the authority and its partnerships to the board and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance is accurate, clear, relevant, robust and objective.
- Supporting and advising the audit committee and relevant scrutiny groups.
- Ensuring that clear, timely, accurate advice is provided to the executive and the scrutiny functions on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.
- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.
- Certifying the annual statement of accounts.
- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the authority is the accountable body for community led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes
- Liaising with the external auditor.



## Personal skills and professional standards

## Principle 3

- CFOs should take all reasonable steps to ensure that:
  - effective systems and procedures operate to monitor progress against budgets and their objectives at regular intervals, and that appropriate reporting mechanisms are in place
  - payments, including benefits and taxation, are made on time, accurately and in accordance with legal requirements
  - cash is handled with special care to avoid loss, particularly loss through theft and secure arrangements are in place to deal with the handling of electronic or other cash-less transactions
  - the accounting and financial information systems provide an accessible, complete, comprehensive, consistent and accurate record of the authority's financial transactions
  - all financial reports are relevant, reliable and consistent, are compatible with the authority's accounting and financial information systems available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority
  - within the specific legislative framework for each authority, systems exist to secure the efficient and effective management of taxes, in particular to ensure that tax liabilities and obligations are properly reported and accounted for and to prevent any tax losses
  - treasury management is carried out in accordance with CIPFA's treasury management code and that effective treasury management arrangements are in place.
- Generate 'buy-in' to, and support delivery of, good financial management across the authority.
- Develop and sustain partnerships, and engage effectively in collaboration.
- Deploy effective facilitation and meeting skills.
- Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.
- Place stewardship and probity as the bedrock for management of the authority's finances.

# \ principle 4



The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.

## **Meeting the finance needs of the business**

The organisation of finance functions is changing rapidly. Traditionally they have been centralised services, but increasingly they include devolved finance teams in business areas. Arrangements may also now include outsourced functions, or services shared between organisations.

Whatever the structure, a strong customer focus both externally and internally must be a key feature of the way the finance function does business. It must support the authority's broader development agenda, by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

The finance function must also have a firm grasp of the authority's financial position and performance. The CFO must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the authority's activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.

Section 114(7) of the Local Government Finance Act 1988 requires authorities in England and Wales to provide their CFO with 'such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section (i.e. s114) to be performed'. There is no equivalent requirement in Scotland or Northern Ireland.

## **Appropriately developed finance skills**

The CFO must promote financial literacy throughout the authority, including championing training and development of relevant skills at all levels. However the CFO has a particular responsibility for learning and development amongst finance staff in order to ensure that both current and likely future finance skill needs are addressed. This will include identifying the competencies needed by the finance function, including specialist skills, and ensuring it can access the skills and experience to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.

The CFO must ensure that the head of profession role for accountants and finance specialists authority-wide is properly discharged in order to ensure compliance with regulatory and professional standards. Exercising leadership on financial matters in a devolved environment will require a documented line of professional accountability to the CFO, where this is not a direct line management relationship.



## Governance requirements

## Principle 4

- Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.
- Ensure there is a line of professional accountability to the CFO for finance staff throughout the authority.



## Core CFO responsibilities

## Principle 4

- Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Managing partnership delivery.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that finance staff, managers and the leadership team are equipped with the financial competencies and expertise needed to manage the business both currently and in the future whether directly or indirectly employed.
- Ensuring that the head of profession role for all finance staff in the authority is properly discharged.
- Acting as the final arbiter on application of professional standards.



## Personal skills and professional standards

## Principle 4

- Create, communicate and implement a vision for the finance function.
- Role model a customer focussed culture within the finance function.
- Establish an open culture, built on effective coaching and a “no blame” approach.
- Promote effective communication within the finance department, across the broader authority and with external stakeholders.
- Apply strong project planning and process management skills.
- Set and monitor meaningful performance objectives for the finance team.
- Role model effective staff performance management.
- Coach and support staff in both technical and personal development.
- Promote high standards of ethical behaviour, probity, integrity and honesty.
- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.
- Promote discussion on current financial and professional issues and their implications.

# \ principle 5



The CFO in a local authority must be professionally qualified and suitably experienced.

## **Demonstrating professional and interpersonal skills**

The CFO must be able to demonstrate their own professional standing to exercise financial leadership throughout the authority. As a member of a professional body, the CFO's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The CFO must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.<sup>15</sup>

The CFO must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The CFO must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.

The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body.<sup>16</sup> There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

The statutory role must be performed by an 'officer' of the authority. Although 'officer' is not defined the legal view is that the terms 'staff' and 'officer' in the Local Government Act 1972 and elsewhere are intended to embrace all employees of local authorities. It is permissible for an authority to procure non-statutory financial management services from an individual on the basis of a service contract.

## **Applying business and professional experience**

The CFO must have an understanding and commitment to the wider business, looking beyond narrow financial objectives, to inspire respect, confidence and trust amongst colleagues, inspectors and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.

The CFO must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment. However data is not always clear cut and the CFO must also be able to apply judgement to imperfect information.

The CFO must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the leadership team effectively. The CFO must also have a good understanding of the principles of financial management, and personally set a tone for the authority that finance matters and is a key part of everyone's job throughout the authority.

<sup>15</sup> Further information on behaviours can be found in the *IFAC Code of Ethics*, [www.ifac.org](http://www.ifac.org)

<sup>16</sup> Defined to mean a qualified member of one of the six bodies comprising the Consultative Committee of Accountancy Bodies (CCAB) in the UK and Ireland, that is

- Chartered Institute of Public Finance and Accountancy
- The Institute of Chartered Accountants in England and Wales
- The Institute of Chartered Accountants of Scotland
- The Institute of Chartered Accountants in Ireland
- Chartered Institute of Management Accountants
- The Association of Chartered Certified Accountants.



## Governance requirements

## Principle 5

- Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the authority.
- Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.



## Personal skills and professional standards

## Principle 5

- Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.
- Adhere to international standards set by IFAC on:
  - ethics
  - Continuing Professional Development.
- Demonstrate IT literacy.
- Have relevant prior experience of financial management in the public services or equivalent.
- Understand public service finance and its regulatory environment.
- Apply the principles of public financial management.
- Apply relevant commercial skills and understanding of relevant alternative delivery models
- Understand personal and professional strengths.
- Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.

# legislative requirements

## Section 151 of the Local Government Act 1972 – England and Wales

This section requires that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The words “proper administration” are not statutorily defined nor have they received judicial consideration. Section 58 of the Local Government Act 1958 had somewhat narrower wording requiring authorities to make “safe and efficient” arrangements for the receipt and payment of money.

“Proper administration” requires a somewhat wider consideration of all aspects of local authority financial management and should include:

- compliance with the statutory requirements for accounting and internal audit
- ensuring the authority’s (and ultimately its members’) responsibility for securing proper administration of its financial affairs (*Lloyd v McMahon* (1982) AC 625)
- proper exercise of a wide range of delegated powers both formal and informal (*Provident Mutual Life Assurance Association v Derby City Council* (1981) 1 WCR 173)
- responsibility for managing the financial affairs of the local authority in all its dealings
- recognition of the fiduciary responsibility owed to local taxpayers (*Attorney General v De Winton* (1906) 2 CH 106).

This view is strengthened by Section 113 of the Local Government Finance Act 1988 which requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body.

## Section 95 of the Local Government (Scotland) Act 1973 – Scotland

Section 95 states that: “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”.

The same considerations as to the meaning of ‘proper administration’ as set out above apply in Scotland. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Scotland although in both cases, this is widely acknowledged to be good practice.

## Section 54 of the Local Government Act (Northern Ireland) 1972 – Northern Ireland

Section 54 requires that “council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO”.

The Northern Ireland Act uses the more narrow wording previously used under the 1958 Local Government Act. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Northern Ireland although in both cases, this is widely acknowledged to be good practice.

## Section 114 of the Local Government Finance Act 1988 – England and Wales

The responsible officer under Section 151 of the 1972 Act had his or her duties significantly extended by Section 114 of the 1988 Act which requires a report to all the authority's members to be made by that officer, in consultation with the council's monitoring officer, if there is, or is likely to be unlawful expenditure or an unbalanced budget.

### Introduction

Section 114 (1) of the Local Government Finance Act 1988 places a duty on the CFO to report certain matters to the authority. Serious consequences could follow making such a report and this note recommends sound procedures and consultation, particularly with the authority's CLO if that person is not the MO, prior to making the report.<sup>17</sup>

The duty of the CFO to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure a course of action is unlawful and is likely to cause a loss or deficiency an entry of account is unlawful.

In those circumstances the CFO is required to make a report to the authority and send a copy to every member and the external auditor. The course of conduct which led to the report must not be pursued until the full council has considered the report. The council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take.

Likewise the CFO must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the council has considered the report.

Regulations under the Local Government Act 2000 have amended section 114 for those authorities in England operating executive arrangements. In those cases such reports are submitted to full council in respect of non-executive functions and to the executive for executive functions.

If the unlawful expenditure relates to actions undertaken by the executive then under sections 114A and 115B, the CFO's report must be submitted to the executive. Copies

must be sent also to all members of the authority and the external auditor (and the council manager if there is one).

No action should be carried out until the executive has considered the report. The executive must then provide a report to the authority, the CFO and the external auditor, explaining what action, if any, is to be taken and the reasons.

This guidance note is intended to assist in the provision of sound legal (and financial) advice to members of the authority the duty to make a part VIII report rests with the CFO and nothing in this note derogates from that responsibility.

The legislation raises issues that could place the CFO in conflict with his or her employers. The consequences of submitting a part VIII report are unlikely to be in the long-term interests of the authority, its officers (or even local government generally) if many have to be made. The need to issue a number of s114 reports would also indicate that there are underlying problems with the overall performance of the authority. Every action should be taken to avoid conflict by providing timely advice to elected members and where possible offering alternative lawful solutions on financial matters. However, at the end of the day section 114 imposes a statutory duty on the CFO.

### Preliminary matters

Information resulting in the need for a part VIII report could come from the CFO's staff, an officer, a member of the authority, the public or the auditor. All elected members and officers should be made aware that it is the CFO's duty to raise possible issues requiring investigation which may lead to a formal report. This could in part be achieved by including details of the CFO's statutory duty in the member/officers' protocol in the local authority's written constitution which must be prepared and maintained under section 37 of the 2000 Act. The topic should also be included in members' training programmes.

Making a report under sections 114 (2) and 114A(2) requires the CFO to make a decision that an act or omission is or could be unlawful; this decision should only be taken after full consultation with the head of paid service, the authority's MO (and chief legal officer where the CLO is not the MO) whereas a report

<sup>17</sup> The statutory duty is to consult the head of paid service and MO.

under section 114 (3) requires a financial judgement on (essentially) the budget which the CFO could take alone. Even in a section 114(3) report the CFO is required by statute to consult the head of paid service (chief executive) and the MO because other corporate and legal issues may well flow from the report and because there may be overlaps with the MO's duty to report to the authority about unlawfulness under the Local Government and Housing Act 1989 section 5.

MOs have a reciprocal duty to issue reports under section 5 of the 1989 Act and to consult the head of paid service (chief executive) and CFO on their reports.

Circumstances of a developing situation (for example, shortage of budget resources or a prospective unlawful act) should be distinguished from the imminent or actual situation. Timing of a part VIII report will need careful thought and decision.

There may well be occasions when the chief executive, the MO, the CLO or the CFO will be asked for a view on matters which the authority has under consideration but which if developed might lead to a part VIII report. A mere preliminary enquiry or request should not lead to a formal report under the Act. If the situation develops the need to report must be reviewed.

It is not considered that the provisions of sections 114 (2) and 114A (2) relate to cases of discovered fraud (which could be the subject of criminal prosecution) – these should normally be dealt with under the authority's financial regulations.

A decision will be needed whether to report or not on items which could be regarded as outside sections 114 (2) and 114 A (2) such as trivial expenditure or loss of income although there may be circumstances in which such a report may be justified.

In the case of action under section 114 (3) the need for a report arises only where an authority's total resources fall short of likely expenditure. It does not apply where, say, a committee's budget is overspent – this might be the subject of a report outside the provisions of part VIII although this could in some circumstances amount to a loss or deficiency under section 114 (2) (b) or 114 A (2) (b).

This note assumes that within the authority the chief executive, MO/CLO and CFO are three separate posts. They may not always be so, although there is now a

statutory bar on the chief executive or CFO being the authority's MO. The authority's MO may also be the CLO. Where the roles are separate both should be consulted.

### Recommended procedures

Having regard to the circumstances and the preliminary matters mentioned above the procedure for a report under section 114 (2) or 114 A (2) – an unlawful act or omission – is suggested as follows:

- Consult with the MO/CLO on the issue of unlawfulness.
- Consult the chief executive on the matter (s114(3A) and s114 A (3)).
- If there is disagreement or doubt the CFO should ask the MO/CLO to obtain Opinion of Counsel.
- If there is still disagreement after Counsel's Opinion, the CFO and MO/CLO refer the matter to the chief executive for assistance on procedures but chief executives should not substitute their own advice, even where legally or financially qualified.

Under section 114 (3) where the matter is an unbalanced budget – real or potential – the CFO is in a better position to come to a decision unaided. However it is recommended:

- an informal indication is given by the CFO at a very early stage and an attempt made to get immediate remedial action
- the likelihood of a report under section 114 (3) should be made known to the chief executive at an early opportunity
- the CFO should consider informal consultation with the internal and external auditor

At this point the CFO has to decide the course of action. If it is decided to proceed, the CFO goes to next stage.

Where the CFO decides there is a case for a part VIII report:

- If the action or expenditure is potential the CFO should draft a report stating the facts and reasons and discuss with the MO, the chief executive and relevant chief officers how to obviate the need for the report by remedial action. If successful the matter will rest.
- Where remedial action is not possible, or where the act or expenditure has already happened, the CFO should draft a report as in consultation with chief

executive and MO. The report should clearly state that it is made under the relevant sub-section of section 114 or section 114 (A) of the Local Government Finance Act 1988 and the consequences. The CFO then ‘makes’ the report by signing it personally.

The statutory duty to make a part VIII report and send a copy to each member of the authority and the external auditor rests on the CFO. The Act does not say when a report is to be sent but implies it should be sent as soon as reasonably practicable.

Where an authority in England or Wales is operating executive arrangements under the Local Government Act 2000 the report must be to the full council and sent to each member of the council and to the auditor, if it relates to non-executive functions or the likelihood of an unbalanced budget.

Where the local authority is operating executive arrangements, and the executive (or a person on their behalf) is about to make or has made a decision involving unlawful expenditure, a loss or deficiency or an unlawful item of account, the CFO must make the report to the executive, and send copies to every member, the auditor and (in the case of a mayor and council manager) the council manager.

The duty to make and send the report rests with the CFO and that starts the 21 day ‘prohibition period’ and in normal circumstances the timing of sending it needs to be carefully considered in consultation with the ‘Proper Officer’ for calling meetings (and the chief executive if not that officer).

Part VIII reports are likely to be made in highly contentious circumstances and as such could be the target for legal challenge. They must therefore be subject to most careful drafting, rehearsing all relevant matters and arguments besides clearly advising as to the options or decisions sought.

Whatever the decision, the CFO must have taken all steps necessary to arrive at and justify that decision. The CFO should ensure that there is a proper record of the considerations leading to the decision.

The executive must then meet within 21 days to consider the CFO’s report and no action must be taken until this has happened. After considering the report, the executive must then prepare a report which specifies what action (if any) the executive has taken or proposes to take, the timing and the reasons for the action. A copy of that report must be sent to the external auditor, every member of the council and the CFO.

#### **Liaison with proper officer responsible for calling meetings: (Schedule 12 Local Government Act 1972)**

It is for the “proper officer” to advise on procedure for considering the report but by agreement such information could be included in the CFO’s report or accompany it.

The report could be sent to each member of the authority as a separate document. However, in the case of reports to the full council it would be advisable to send copies with the council summons to the meeting which will consider it. In the case of reports to the executive, copies could be sent with the agenda for the meeting which will consider it, as well as the remaining members of the council and the council manager (if any). In both cases copies must be sent to the auditor.

The statutory duty to send the report is the CFO’s but it is recommended that normally the authority’s usual procedure for sending reports to all members be followed. However, proof the report was sent to individual addresses may subsequently be needed, so special arrangements for delivery may be required.

#### **Other matters**

Once the CFO has sent the report to each member of the authority (or to each member of the council, the executive and council manager (if any) where executive arrangements are operating) and to the external auditor, their reporting duty under part VIII has been completed.<sup>18</sup> In the case of authorities with executive arrangements, the executive must then issue its report in response. The CFO, under their section 151 responsibilities may then have to advise full council on the outcome. If the authority (or the executive) acts positively on the s114 (114A) report, well and good; if

<sup>18</sup> If inadequate action is agreed in response to a s114(3) report the CFO may need to consider whether or not a further report is required to address the situation. This should be decided in conjunction with the chief executive, MO and (if necessary) legal advice should be sought.

not, any further formal action is to be taken by the external auditor with the issuing of an 'advisory notice' under section 29 (schedule 8) of the Local Audit and Accountability Act (2014) or by applying to the court for a declaration under section 31 of the same Act.

The authority's standing orders and financial regulations should be compatible with the part VIII procedures.

In the light of these provisions it is clearly essential that all reports to committees or to the executive, an executive committee or an individual executive member containing financial matters should be cleared with the CFO. The CFO should also have access to all decision records, minutes and forward plans of executive key decisions.

The Local Government Finance Act, 1988, requires the authority to provide the CFO with sufficient resources to carry out their duties under part VIII. These would include the cost of obtaining advice and resources outside the authority if required.

The CFO's duties under part VIII must be carried out personally and it is recommended that they nominate a person to act in their absence or when ill under section 114(6).

The activities of companies set up by authorities appear to be outside the present legislation for section 114/114A reports.

Where a report has been made under section 114(3), arrangements need to be made to inform all persons, including school staff, who have delegated authority to enter commitments, that such powers are suspended during the prohibition period.

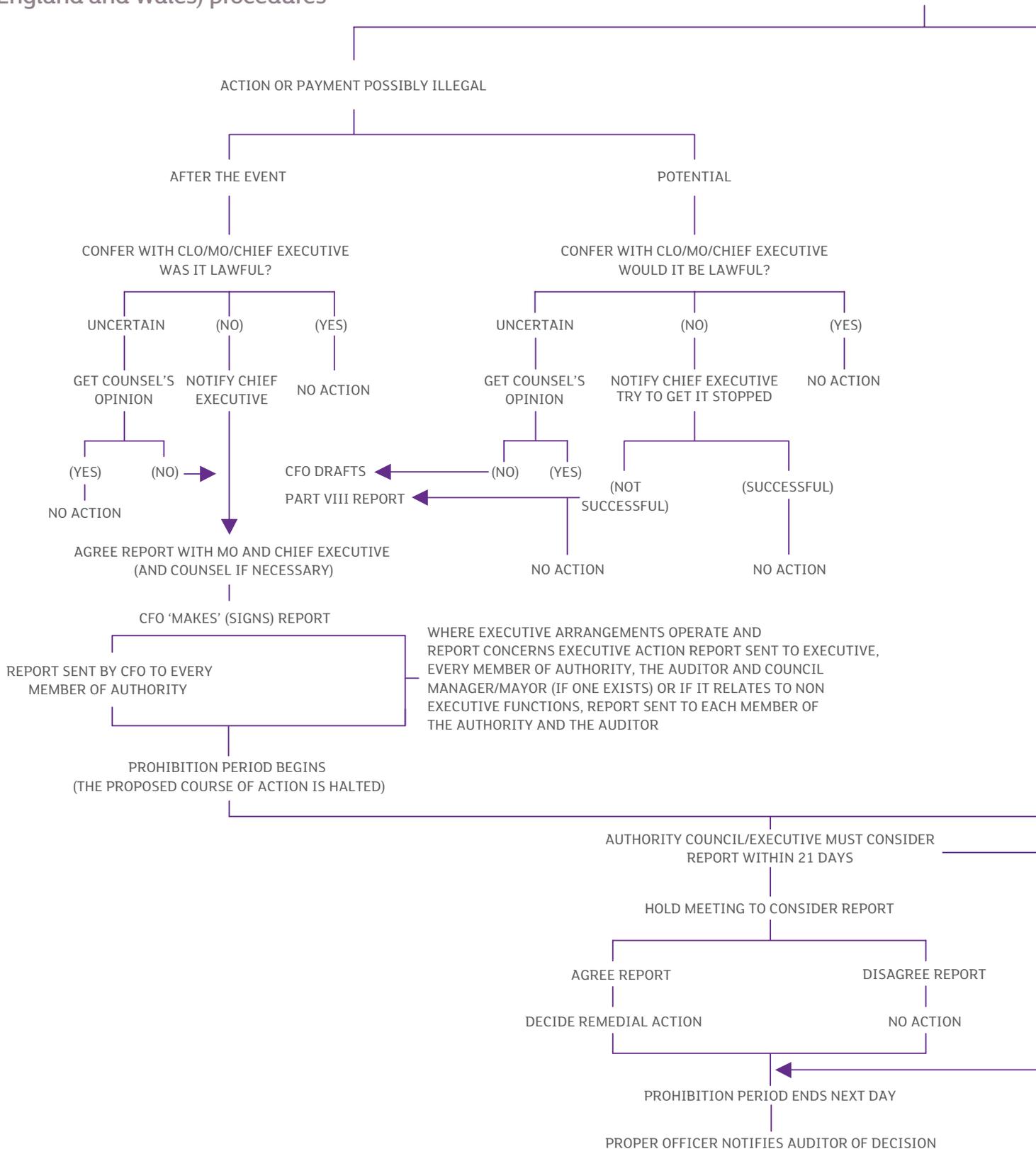
### **Section 114 equivalent in Scotland and Northern Ireland**

Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

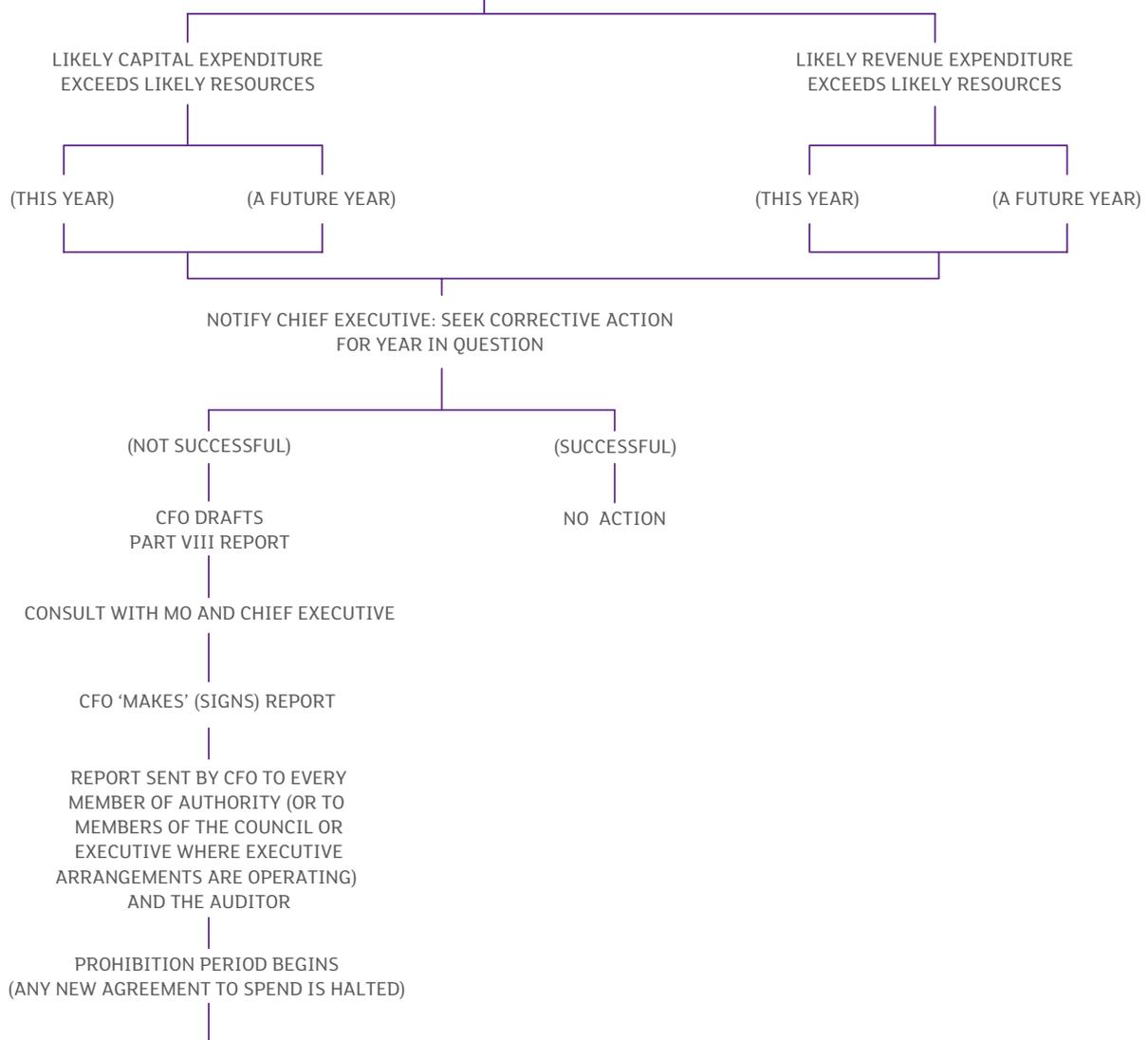
# flowchart

for section 114 local government finance act 1988  
(England and Wales) procedures

MATTER COMES TO THE ATTENTION OF



THE CFO



PROPER OFFICER NOTIFIES AUDITOR OF DATE TIME AND PLACE OF MEETING

WHERE EXECUTIVE ARRANGEMENTS OPERATE, EXECUTIVE MUST REPORT ON ACTIONS (IF ANY) TAKEN IN RESPONSE, TIMING AND REASONS TO THE AUTHORITY, CFO AND AUDITOR



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

The Chartered Institute of Public Finance and Accountancy.

Registered with the Charity Commissioners of England and Wales No 231060

Registered with the Office of the Scottish Charity Regulator No SC037963

# Agenda Item 10



<b>SIGNED OFF BY</b>	Head of Organisational Development
<b>AUTHOR</b>	Kate Brown, Head of Organisational Development
<b>TELEPHONE</b>	01737 276092
<b>EMAIL</b>	Kate.Brown@reigate-banstead.gov.uk
<b>TO</b>	Employment Committee
<b>DATE</b>	Thursday, 20 June 2019
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Corporate Direction and Governance

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Workforce Data Summary & Organisational Development Approach
----------------	--

<b>RECOMMENDATIONS</b>
(i) <b>To note the Workforce Data summary and the approach to developing the Organisational Development to inform further detailed discussion at a future meeting of the Committee.</b>

<b>EXECUTIVE SUMMARY</b>
This report and annexes provides the Employment Committee with an overview of the Council's workforce data – high level summary of the workforce profile relating to equalities and employee relations and key HR measures. Also addressed in this report and annexes is an overview of the draft approach for the Organisational Development Strategy.

<b>BACKGROUND</b>
<ol style="list-style-type: none"> <li>Following the recent Governance/Constitution review by the Governance Task Group, a number of recommendations were approved relating to changes relating to the Council's committees, including the Employment Committee.</li> <li>The following was agreed by the Council –</li> </ol>

# Agenda Item 10

To ensure the Employment Committee makes a positive input to strategic recruitment and cultural development, the following roles and responsibilities be added to the terms of reference for the Employment Committee:

- a. Oversight and engagement (with relevant Officers) in respect of the development of the Organisational Development Strategy – which includes the talent attraction/development/ retention strategy for staff and the Council’s Management Structure.
- b. Establishing a critical friend role in relation to ensuring the Organisational Development Strategy is on track and fit for purpose. This should include consultation around the annual Service and Financial Planning process and Pay Policy Statement.
- c. That the application of a. and b. (above) be detailed in an annual work programme to be agreed at the start of each Municipal Year by the Employment Committee.

## KEY INFORMATION

### Workforce Summary

1. The Council needs to understand, plan and develop its workforce requirements for the future in order to provide excellent services to the community it serves and to support the Council’s vision, aims and values.
2. To set some context and help the Employment Committee understand the makeup of the Council’s workforce and key HR measures, some high level data has been compiled for the Employment Committee to note. Please see the information outlined in Annex 1a and 1b.
3. The Employment Committee are asked to note this information at this stage. This information will be discussed at a future meeting.

### Organisational Development Strategy

4. Organisational Development is a new, explicit function area for the Council. The “Head of Organisational Development” position was created as part of the organisational structure review in the summer of 2018.
5. What is Organisational Development (OD)? One way of defining OD is as a systematic approach **to improving organisational effectiveness** – one that aligns strategy, people and processes.
6. OD can enable an organisation to be ready for the future by taking steps which create an environment that allows employees to understand, embody and deliver the organisation’s objectives.
7. OD involves both “hard” issues – strategy, policies, structures and systems – and “soft” issues those that develop appropriate skills, behaviours, attitudes, culture and a style of leadership that will enable organisations to deliver optimum performance.
8. The Head of Organisational Development has drafted a suggested approach for OD at the Council (see Annex 2), which has Employee Engagement as the key outcome.

# Agenda Item 10

Great People = Engaged People. The approach or strategy is represented in a diagram form at this stage on one page. It has the outcome of Engaged People in the centre, with enablers (i.e. what helps make people engaged at work), in the boxes around the centre.

9. Research shows that organisations with high levels of employee engagement are more efficient and effective and that highly engaged employees:
  - are more **customer focused**, find they are more **creative** at work, and **take less time off** sick;
  - care about the future of their organisation and put in **greater effort** to help it meet its objectives;
  - feel proud of the organisation they work for and are inspired to **do their best** and **motivated** to deliver the organisation's objectives.
  - This approach will help ensure we are the best organisation we can be, with the best people, skilled to deliver our ambitious Corporate Plan priorities.
10. At this stage the Employment Committee are just asked to note this draft approach.

## CONSULTATION

11. The Head of Organisational Development has engaged with the Chief Executive, Directors and Heads of Service about the suggested OD approach. At the recent Management Team Away Day on 15<sup>th</sup> May, collective senior officer agreement and support was given to progress OD at the Council in this way.
12. Very high level conversations have taken place with the Leader about this suggested approach/outcome focusing on 'Engaged People' and conversations have started with the Portfolio Holder for Corporate Direction and Governance.
13. The Employment Committee will be asked to consider the approach at a future meeting.

## ANNEXES

1. Workforce Summary Data (including Gender Pay Gap Report)
2. Organisational Development Approach Diagram

# Agenda Item 10

# Agenda Item 10

## Workforce Data Summary

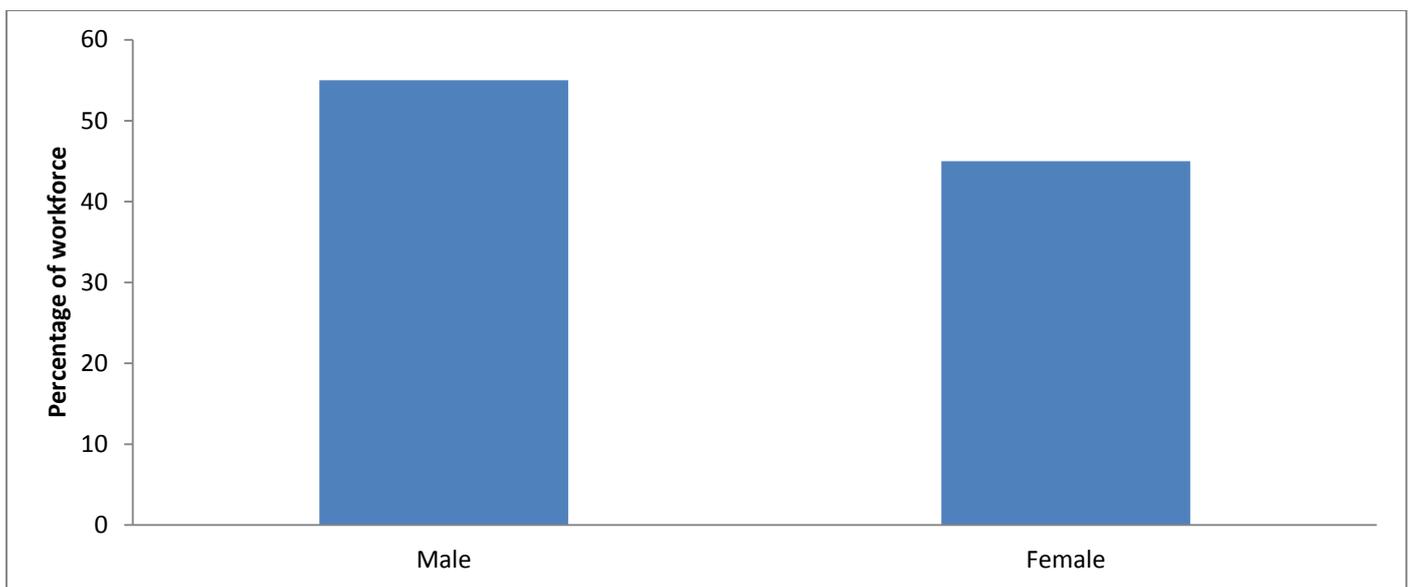
RBBC's workforce is key to the success of our organisation and service delivery, and therefore consideration of our employee demographics is essential to future workforce planning and organisational strategy.

In addition to employee demographics, we also capture and analyse data to help us measure the success of our people management strategies, policies and procedures.

## Employee demographics

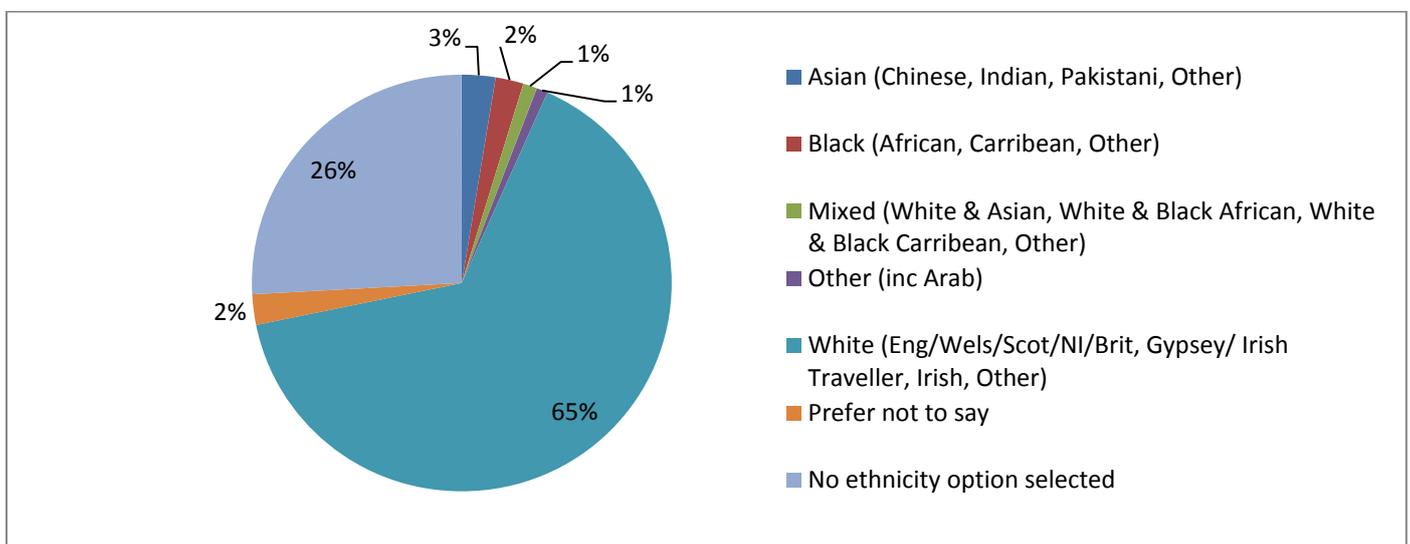
The information below reflects the make up of our organisation workforce, under some of the protected characteristics as defined by the Equality Act 2010. This information is correct as at 31 May 2019.

### Employee gender



The gender distribution of our workforce is 55% male, 45% female.

### Employee ethnicity

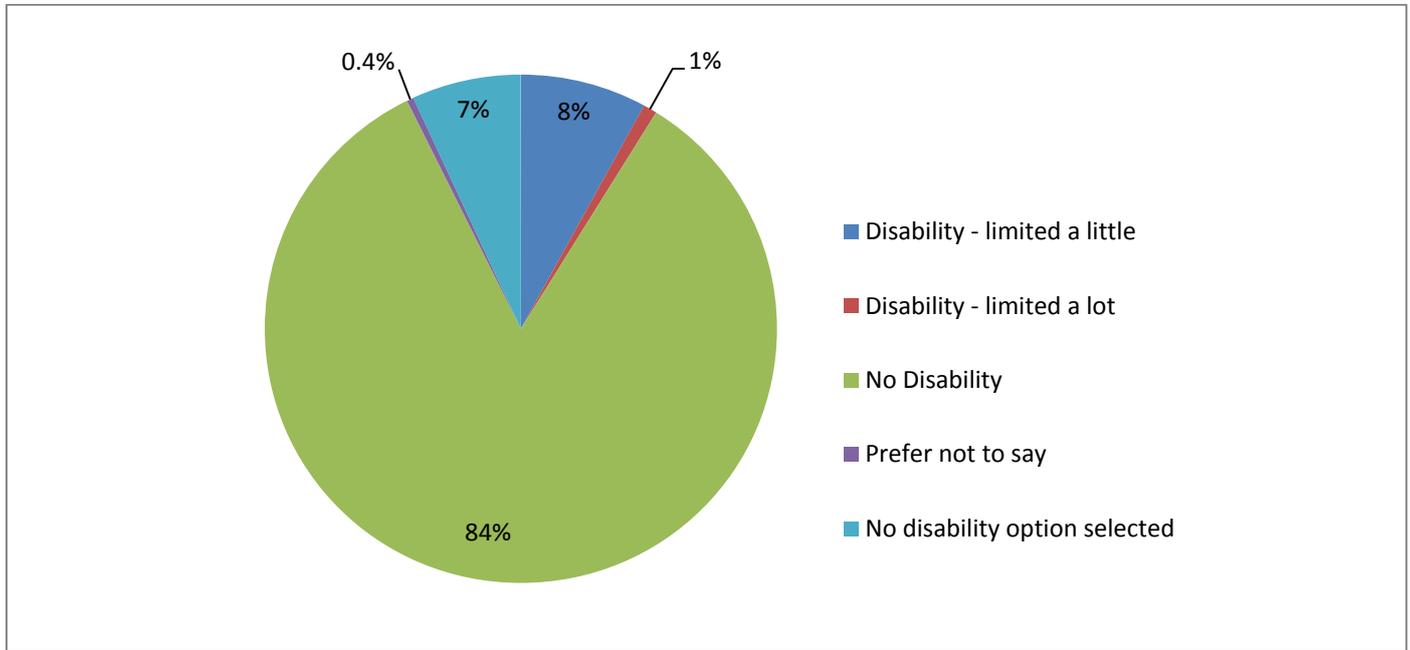


# Agenda Item 10

The ethnicity of our workforce is more diverse than the RBBC resident population. After 'White', the second largest ethnic group in the borough is 'Asian' (5.1% of the population), which is also our workforce's second largest ethnic group at 3% of the workforce.

## Employee's with a disability

(as per definition under the Equality Act 2010)

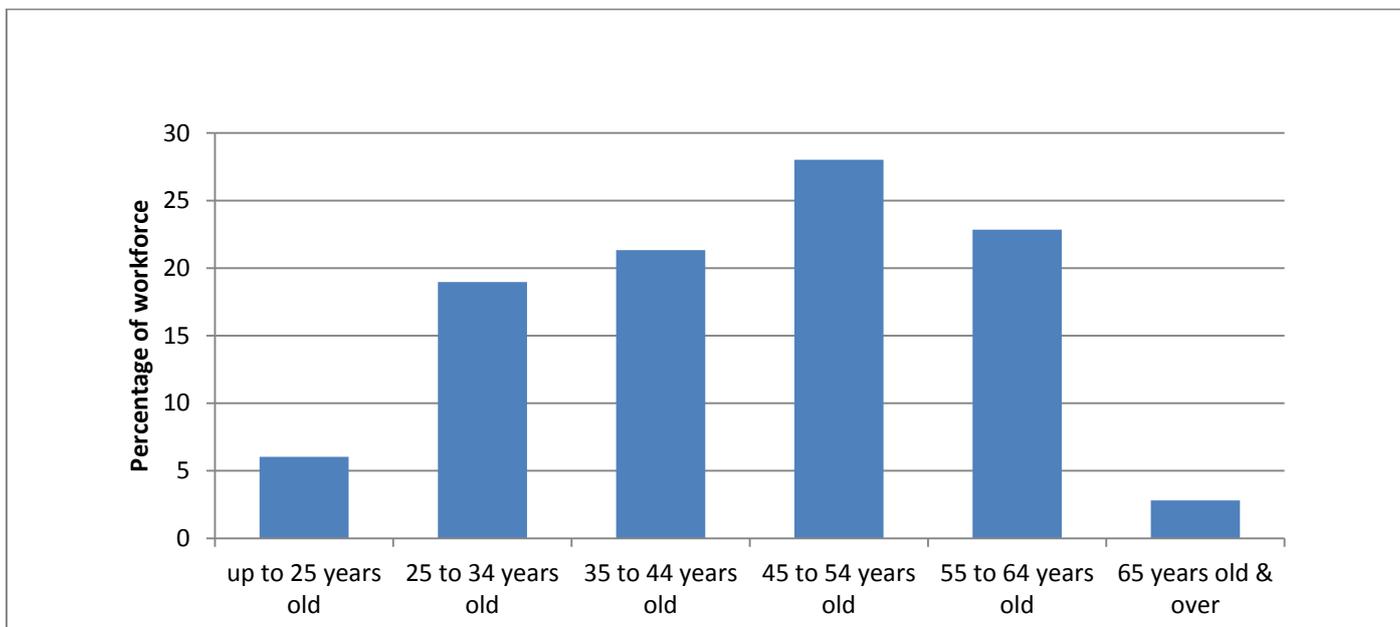


Where an employee deems they have a condition which affects their ability to perform 'normal day to day activities' for a period of 12 months or more, this is classed as a disability under the Equality Act. For the purposes of our workforce data, we ask employees to self declare this, and specify if they feel their disability limits them 'a little' or limits them 'a lot'.

Not all employees who select either of these two options choose to provide any further declarations about their disability. Where an employee or a manager feel that greater support can be provided to keep them in work, and /or working at the performance level required, we will discuss, assess and put in place reasonable adjustments (physical, policy or procedural) to aid this.

# Agenda Item 10

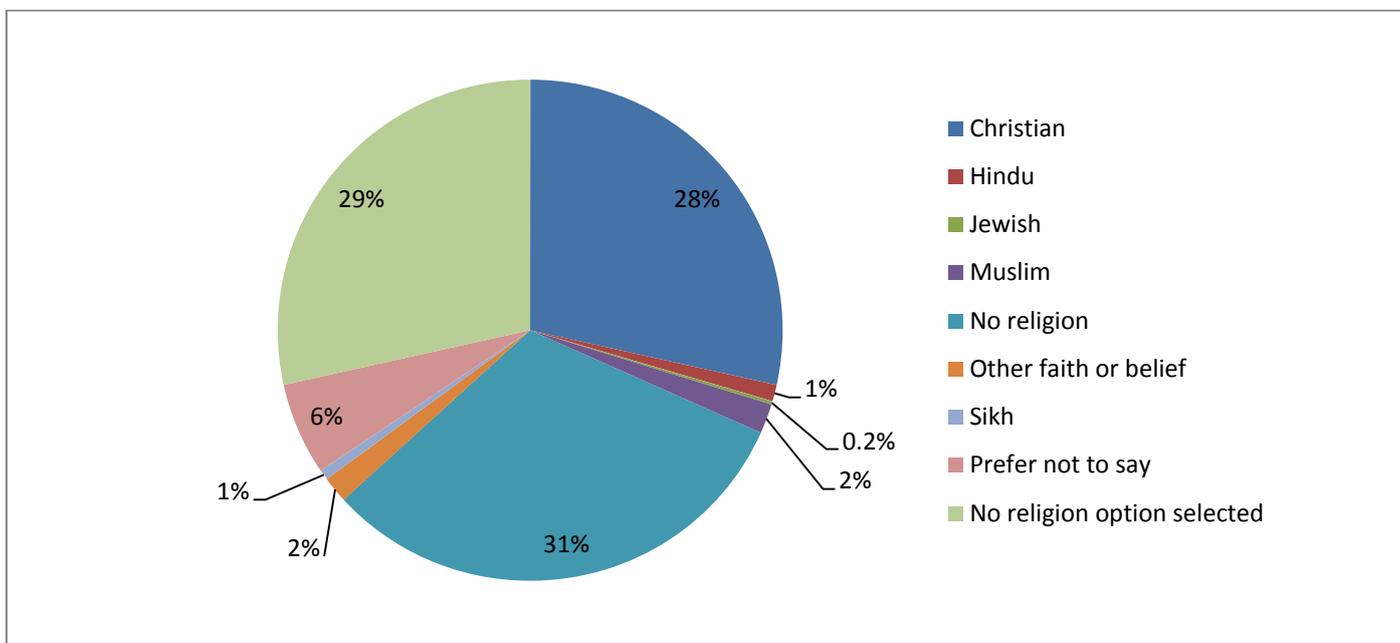
## Employee age



The age profile of the workforce is fairly evenly distributed across middle most age brackets. As you would expect to see due to the UK's pensionable age being 66 years old, we have very few employees remaining in the workforce who are aged '65 years old and over'. 17% of the borough's residents are 65 years old and over.

This information is reviewed in more detail at a team level with managers on an annual basis, to aid succession and workforce planning.

## Employee religion or belief



## Other protected characteristics

Data is collected from our workforce on a further 4 equalities protected characteristics; sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership. It is completely voluntary

# Agenda Item 10

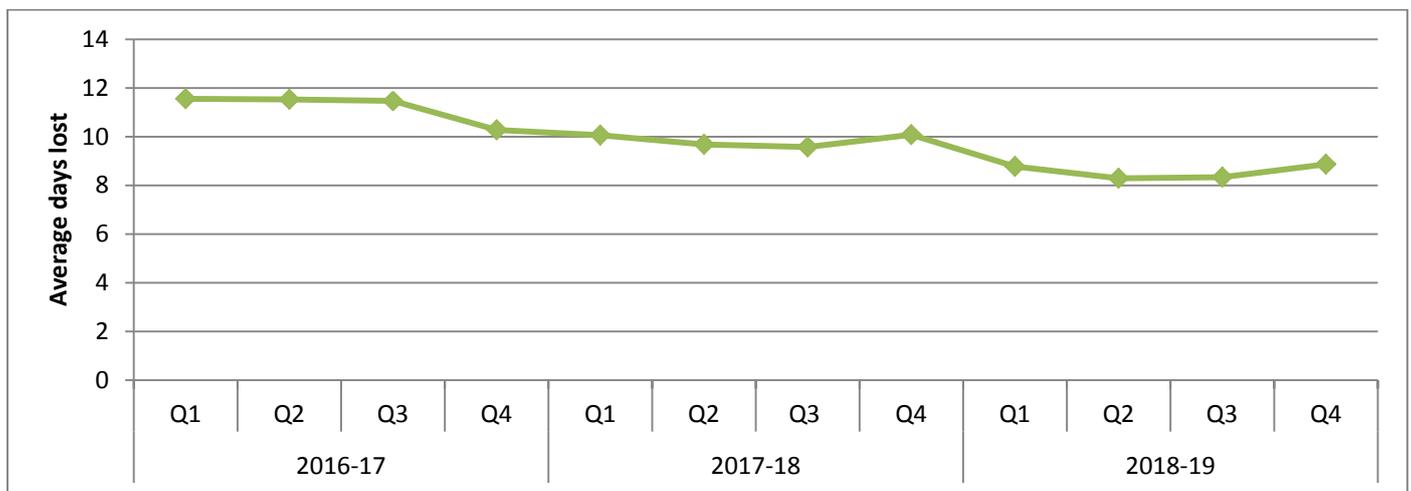
for employees to provide us with this information, and therefore we do not have a significant amount of data in these categories. Employees will be encouraged to confidentially provide this to Human Resources, so that greater analysis of our workforce makeup can be performed in the future.

## Organisation workforce measures

On a quarterly basis, we collate data on a number of indicators to help us assess the organisation's health of workforce stability, performance and effectiveness of people management policy & procedures.

The information shown below is a cumulative total figure for the financial year of 1 April 2018 to 31 March 2019.

### Employee sickness absence



The average number of days lost to sickness absence has reduced by just over 2.69 working days per person, since 2016. The current average of 8.5 days sickness absence per year per employee (inclusive of periods of long term sickness lasting 20 working days or more), is comparable to other public sector organisations (8.4 days) according to the Chartered Institute of Personnel & Development's 'Health and Wellbeing at work report' April 2019.

### Employee turnover (attrition)

RBBC's voluntary (resignation) employee turnover rate has remained steady at an average of 12% of the workforce for the past few years. It is felt this is a comfortable and healthy turnover rate at a time when unemployment is low, and provides us the opportunity to regularly review our workforce, skills and experience requirements.

The 2018 XpertHR 'Labour Turnover Rates Survey' gives the 2017 average voluntary resignation turnover rate in for the Public Sector of 12.9%. The same for the Private Sector was shown to be 19.7%. The 2019 survey report (showing 2018 figures) is due to be released imminently.

# Agenda Item 10

## Recruitment advertising

In 2018-19 RBBC launched 73 job advertising campaigns to recruit to a combination of newly created and existing roles which had become vacant. The majority of these campaigns were successfully managed in-house, though external support was sought in the case of particularly niche or hard to fill roles.

Although there is an improved job market in the private sector (against whom we compete for many commercially skilled and experienced candidates), we continue to be able to attract good quality candidates in the main.

We continue to explore our recruitment approach and techniques, as well as our on-boarding and induction practices as part of a wider 'Talent Attraction' programme of work, to improve candidate experience and seek more efficient and effective recruitment practices.

The collection, analysis and use of data to inform these changes will be key and will include regular review of the success of recruitment campaigns and practices using metric such as the time to hire, cost to hire, and success of new employee/ performance.

## Employee relations

In the 2018-19 year, formal professional HR advice and support was provided to managers in 63 separate employee relations cases. This comprised of:

Type of ER case	Number
Disciplinary investigation cases & disciplinary action	9
Performance management	2
Sickness absence management	52

This does not include professional HR advice given to managers on employee relations matters that were resolved informally, nor HR support provided to managers in connection to service performance improvements, restructures, or recognised Trade Union relationship management.

## Gender pay gap

Only 14% of organisations required to report Gender Pay Gap (GPG) figures in the UK have a 'negative' GPG (one that is in favour of women) and RBBC is one of those few organisations.

Our 2017 mean GPG was -4.5% which means that our female employees' mean hourly rate was 4.5% higher than that of our male employees. This increased to a gap of -6.9% in 2018.

In other words, on average (rounded up to the nearest penny), female employees earned £1.05 for every £1 earned by our male employees in 2017, and £1.07 for every £1 earned by our male employees in 2018.

This is calculated by adding up all the hourly rates of male employees, and then dividing it by the number of male employees, and then doing the same for female employees.

Further detail on RBBC's GPG statistics can be found on the attached GPG report (also on the Council's website - [http://www.reigate-banstead.gov.uk/download/downloads/id/4226/gender\\_pay\\_gap\\_-\\_Employment\\_Committee](http://www.reigate-banstead.gov.uk/download/downloads/id/4226/gender_pay_gap_-_Employment_Committee)).

20 June 2019

# Agenda Item 10

# Gender Pay Gap Report 2018

The below represents the picture for Reigate & Banstead Borough Council as at 31 March 2018. Read the report narrative for further information.

Key: ● women ● men - gap in favour of women + gap in favour of men

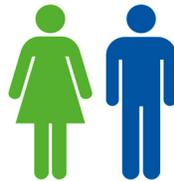
## RBBC gender pay gap

Mean pay gap  
**-6.9%**  
 -4.46% in 2017

Median pay gap  
**-18.9%**  
 -16% in 2017

## Employee gender distribution

**45%**  
 44% in 2017



**55%**  
 56% in 2017

## Proportion of women and men in each quartile pay band



## Bonus gender pay gap

Mean bonus pay gap  
**-23.2%**  
 -61.4% in 2017

Median bonus pay gap  
**-51%**  
 1.3% in 2017

## Bonus gender distribution

**23.3%**  
 25% in 2017  
 of women  
 received a bonus



**41.9%**  
 42.5% in 2017  
 of men  
 received a bonus

# Gender Pay Gap Report

## Comparison between 31 March 2017 and 31 March 2018

The law requires organisations with 250 or more employees to publish the previous year's Gender Pay Gap (GPG) information each March.

The information provided in this report is based on a snapshot of employee data on 31 March 2017, and again on 31 March 2018. It compares the two years' data and provides context to the figures, by describing factors that may have contributed to our GPG.

### Our organisation

The Council is made up of multiple business areas and teams – from Finance and Building Control to Parking and Greenspaces - and our employees have a vast range of professional backgrounds and expertise. In order to attract and retain high performing employees, we ensure that our roles are graded at competitive salary levels with those of other private and public sector employers.

For more information on the variety of work we undertake, and to view our payscales and pay policy statement, visit our website: [www.reigate-banstead.gov.uk](http://www.reigate-banstead.gov.uk).

### Our approach to pay and remuneration

We have a strong, fair and equitable framework for determining the pay and remuneration of employees, built into employee terms and conditions of employment. Changes to these terms and conditions must be made in consultation with two recognised Unions and the Staff Association, with approval sought in line with our Constitution and Scheme of Delegation.

To minimise the likelihood of gender bias in how we apply pay and remuneration, the following structured mechanisms are in place. These are documented in our Pay Policy Statement, which is reviewed and published annually on our website.

- Job evaluation, and routine examination of external pay rates (benchmarking) to determine minimum and maximum levels of pay for a role (grading process),
- Structured incremental payscales,
- Performance related pay schemes,
- Clear criteria, process and procedure to approve an honorarium bonus payment.

### Employee gender distribution

On 31 March 2017, 208 out of 474 members of our workforce were women, approximately 44%. Of this, three of the nine Senior Management Team members were female.

This has remained relatively static as on 31 March 2018, 219 of 479 were women, approximately 45%. At this time, four of the nine Senior Management Team members were female.

### What is the Gender Pay Gap?

This is a high level snapshot of pay within an organisation and shows the difference in the



average pay between all men and all women in a workforce. It compares the average hourly rate of a male employee with the average hourly rate of a female employee, irrespective of the type of role being performed.

Figures preceded by a positive indicator (+) demonstrate higher male earnings, and figures preceded by a negative indicator (-) demonstrate higher female earnings.

If a workforce has a particularly large GPG, the supplementary calculations may help to identify the cause of the gap and prompt a review to address this.

## Gender pay not equal pay

The Gender Pay Gap is a different concept to equal pay. Equal pay is a more specific legal concept that deals with the pay differences between men and women carrying out jobs with comparable duties or value to an organisation. Men and women in comparable jobs are normally entitled to the same pay unless an employer can show differences in pay are justified.

A GPG does not mean that there is an equal pay problem, although it may be a trigger for further investigation about the reasons why the gap exists.

## Our Gender Pay Gap

There are two different calculations; the mean and the median GPG.

### Mean Gender Pay Gap

This is the figure that is commonly discussed in the media.

It is calculated by adding up all the hourly rates of male employees, and then dividing it by the number of male employees, and then doing the same for female employees.

Our 2017 mean GPG was -4.5% which means that our female employees' mean hourly rate was 4.5% higher than that of our male employees. This increased to a gap of -6.9% in 2018.

In other words, on average (rounded up to the nearest penny), female employees earned £1.05 for every £1 earned by our male employees in 2017, and £1.07 for every £1 earned by our male employees in 2018.

### Median Gender Pay Gap

This figure is calculated by ranking all male employees from the highest paid to the lowest paid, then taking the hourly rate of the person in the middle. The same is then done for female employees. The median GPG is the difference between the female employees' median hourly rate (the middle paid woman) and male employees' median hourly rate (the middle paid man).

Our 2017 median GPG was -15.6% which means that our female employees' median hourly rate in 2017 was 15.6% higher than that of our male employees. This increased to a gap of -18.9% in 2018.

In other words, when comparing the median hourly rates, our female employees earned on



average (rounded up to the nearest penny), £1.16 for every £1 earned by our male employees in 2017, and £1.19 for every £1 earned by our male employees in 2018.

## Why we have a Gender Pay Gap

It is important to remember that the GPG is not an indicator of an equal pay issue, and given our current organisational makeup a small gap in favour of women is what we'd expect to see.

Our gap in favour of female employees reflects that a greater number of our female employees occupy roles which demand a higher salary level than our male employees. These salaries are determined (graded) by job evaluation and/or external market salary benchmarking, as outlined above in the 'our approach to pay and remuneration' section.

There are several departments within the Council which attract salaries on the lower end of our payscales, and these are also male dominated professions (such as Refuse & Recycling, Street Sweeping and Greenspaces). This is a key factor in our GPG as it lowers the average male employee hourly rate, affecting both the mean and median figures. Further examination is provided in the 'pay by quartiles' section below.

Our mean and median GPGs have increased slightly between 2017 and 2018. This is a result of the salaries for several roles having been adjusted to better reflect external market salaries, and the roles with the higher increases happened to be occupied by female employees.

## Pay by quartiles

Pay quartiles are calculated by splitting all employees in an organisation into four even groups according to their level of pay, and indicating the percentage of women and men in each group.

Our figures show that the roles within our lower and lower middle pay quartiles tend to be occupied predominantly by men, whereas the gender balance is more even in the upper middle and upper pay quartiles. Given our organisational makeup we'd expect to see this.

For instance, in 2017 134 employees (29% of our workforce) – of which 127 were men - worked in our Refuse & Recycling, Greenspaces and Street Sweeping teams.

A male dominated workforce is common in these fields of work and they sit within the lower and lower middle pay quartiles. This trend of male dominated roles in the lower and middle pay quartiles continues to be the case in 2018.

We're comfortable that the salaries for these roles are comparable to external market rates for these professions.

The gender distribution in our pay quartiles does not cause us concern or indicate there is an issue to be addressed, however we will continue to monitor it for longer term trends.

## Our Bonus Pay Gap

Firstly, for our 2017 GPG data return – submitted in March 2018 - we reported a mean bonus pay gap of +5% and a median bonus pay gap of +3.7%, both in favour of men. Since we



published that information we have established that how we had interpreted the guidance for calculating those figures was incorrect. We have therefore revised those figures and the correct ones are below and in this report's infographic.

## Bonus schemes

A number of different types of bonus are taken into consideration in calculating this gap.

We operate two performance related pay and bonus schemes.

- All employees are entitled to an incremental pay increase within their payscale after demonstration of high level or outstanding performance in the previous year.
- A bonus (a percentage of the salary, dependent on level of performance) may be payable in addition to, or instead of, an incremental increase if an employee is at the top of their payscale. We call this a 'top of bar', 'top of grade' or 'appraisal bonus' payment.
- A separate senior manager performance related pay scheme exists, which follows the same principles as above, but with higher percentage bonuses available.

In addition;

- A bonus payment may also be awarded for exceptional work or responsibilities outside of any employee's normal role. We call this an 'honorary payment'.
- A notional payment ('Christmas weekends') is made to those in the Refuse & Recycling team (approximately 35 employees) who work three weekends over the Christmas and New Year period, outside of their contracted week. 100% of this group are male employees, as is common in this field of work.

The latter has particularly skewed the percentage gender split of the workforce that has received bonus payments in both 2017 and 2018.

## Mean Bonus Pay Gap

This figure is calculated by adding up all the bonus payments of male employees, and then dividing it by the number of male employees who received a bonus. The same calculation is then done for female employees. The mean bonus pay gap is the difference between the female bonus value and the male bonus value. Our mean bonus pay gap has reduced from -61.39% in 2017 to -23.24% in 2018, but remains in favour of women.

## Median Bonus Pay Gap

This figure is calculated by ranking all male employees who received a bonus payment, from the highest value to lowest value, then taking the bonus value of the person in the middle. The same calculation is then done for female employees. The median bonus pay gap is the difference between the female employees' bonus value (the middle woman) and male employees' bonus value (the middle man).

There has been a significant change in the median bonus pay gap from +1.26% in favour of men in 2017, to -51.01% in favour of women in 2018.



In part this is due to four fewer men receiving a bonus payment in 2018. Although this is a small headcount number, due to the size of our workforce it has a big impact.

When examining the detail of the 2018 median, the mid-point female employee who received a bonus received £76 more than the mid-point male employee who received a bonus.

## Bonus gender distribution

Our 2018 bonus gender distribution data shows that 23.3% of women received a bonus, compared to 41.9% of men,

If we removed from the 2018 calculation the 35 male employees in the Refuse and Recycling team who receive the 'Christmas weekend' bonus, the percentage of employees who received a bonus payment would reduce to 29.07% of men and 23.26% of women – a more even distribution. This demonstrates that the volume of men receiving the 'Christmas weekend' bonus plays a significant part in skewing the distribution of bonus payments towards men.

The mean bonus pay gap also reduces to +8.69% (or £67.48) in favour of men in this revised hypothetical circumstance.

These bonus pay gap figures do not cause us concern, as we are confident that bonuses are applied fairly and equitable in line with our published policy and procedures, and performance related bonuses in particular (which are the reason for the majority of the bonuses) are accessible and applied consistently, regardless of gender.

## Conclusions

Our gender pay figures do not cause us concern as we are confident that we understand the variables which have caused them, namely the variety of roles attracting diverse salary ranges, and significantly higher numbers of men in some departments.

However, further examination will be carried out to identify the potential root causes of the trend for office roles to be held by a greater proportion of women, and physical manual roles to be held by a significantly higher proportion of men.

We will also look at the potential work we can undertake to attempt to bring a better gender balance into roles and teams, and therefore pay quartiles.

John Jory  
Chief Executive

Kate Brown  
Head of Organisational Development

Published: March 2019

### Great Leadership

Great leaders who are **visible, empowering & authentic**

Provide **clarity, direction, create safe environment, create trust**

**Strong strategic narrative** – our **purpose**. Strong communication to organisation – our history, where we are now and where we are going (our future)

### Commitment to Employee Wellbeing

- **Healthy & inclusive** workforce
- **Physical, mental, financial wellbeing**
- **Great workplace** – the best work environment to help employees thrive

### Great Communication – Employee Voice

- **Open communication** and **2-way**
- Employees kept informed and able to **feedback**
- Right questions asked, we **listen** to what people say and we **act** on what we hear. Employees are central to the solution, have genuine influence.
- Tools/methods are - **easy, mobile, employee generated** content and feedback

### (Talent Development) Excellent Employee Development

- Long term view of all **employees' value**
- We **invest in employees'** development & employees 'own' their development too

### Great Teamwork

- Effective **co-operation** and **collaboration** between different directorates/teams
- **Clear goals** - team and organisation
- **Team recognition**

"Great People" =  
Engaged People

### Great/Fair Compensation

- **Fair pay** structures and job/market analysis
- **Fair reward and recognition** structures – individual and team potential

### Great/Engaging Managers

- **Care** about employees, keep them **informed, trust** them and **encourage** upwards performance
- **Focus** on employees, give employees **scope**, treat employees as individuals, **coach** and **stretch** them – bring "you" to job
- Equipping managers to engage, to "be themselves" - authentic
- Managers **collaborate** with and **support** their peers as well as their teams
- Managers who **translate the strategic narrative** to their teams and help their staff establish **role clarity, autonomy**, ensure there is enough **challenge** in roles and set realistic expectations re **achievement**

### Clear, Accessible Employment Policies/Practices

- Including performance management - appraisals, pay/reward/benefits, equal opportunities, family friendly/work life balance, corporate social responsibility – volunteering?
- Diversity, inclusivity

### Organisation Integrity

- The organisation is '**keeping it real!**'
- **Values & behaviours** reflected day to day, from the top Leaders down through the organisation.
- **No say – do gap**. Promises made / kept or explanation given.

This page is intentionally left blank

# Agenda Item 11



<b>SIGNED OFF BY</b>	Head of Legal and Governance
<b>AUTHOR</b>	Caroline Waterworth, Head of Legal and Governance
<b>TELEPHONE</b>	Tel: 01737 276025
<b>EMAIL</b>	Caroline.Waterworth@reigate-banstead.gov.uk
<b>TO</b>	Employment Committee
<b>DATE</b>	Thursday, 20 June 2019
<b>EXECUTIVE MEMBER</b>	Councillor Victor Lewanski

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Employment Committee Member Learning and Development Briefing
----------------	---

<b>EXECUTIVE SUMMARY</b>
<p>Following the Governance Task Group review and recommendations (Executive, 18 March 2019) the Employment Committee members are required to receive mandatory employment law training before they undertake work on the Committee. Training with a specialist has been arranged for 2 July 2019 and this briefing pack has been provided in advance of that session to provide relevant introductory information for the first meeting of the Committee on 20 June 2019.</p>

<b>LEGAL IMPLICATIONS</b>
<p>Mandatory training for Employment Committee members has been recognised as a key mitigation factor for Members involved in employment issues relating the Council.</p> <p>There are no wider legal implications.</p>

<b>FINANCIAL IMPLICATIONS</b>
<p>The Member Learning and Development budget for 2019/20 is £4,000. A draft programme has been developed to take account of the points arising from the Task Group and was supported by Group Leaders' on 6 March 2019.</p>

# Agenda Item 11

The main financial implications arising from this report relate to resources required to deliver additional Member Learning and Development beyond the current budget.

There is also the ability to reduce the financial impacts of possible employment tribunal claims, by reducing the risk of potential claims being lodged..

## **EQUALITIES IMPLICATIONS**

No Equalities Impact Assessment has been completed but it is noted that this training ensures that the Council continues to support the development of a great work environment for great people by ensuring that the equality and inclusion criteria for employment are understood by the Employment Committee.

## **HUMAN RESOURCES IMPLICATIONS**

The delivery of this briefing paper and the follow-up training ensures that HR concerns are addressed.

## **APPENDICES**

Recruitment Best Practice Guidance

## **BACKGROUND PAPERS**

[Governance Task Group \(Constitution\) Report with recommendations](#) (Executive, 18 March 2019)

## **Recruitment Best Practice Guidance**

These guidance notes are written for the Employment Committee and it covers (at a high level):

1. Initial paperwork
2. Employers' potential liability for discrimination in recruitment
3. The law
4. Good practice
5. Effective questioning techniques
6. The importance of interview notes

### **1. Initial Paperwork**

#### Job Summary

The job summary sets out the key responsibilities, accountabilities and scope of the job. This document is key at the recruitment stage in order for us to describe the job to candidates.

#### Person Specification & Interview Assessment Form

The person specification is a profile of the candidate required for the work. A person specification outlines the skills, knowledge / specialised experience, technical ability and qualities required. It will also include any professional or technical qualifications the applicant must have to undertake the job.

Selection should be made on the basis of a candidate's skills and past work performance against the relevant job summary.

The person specification will outline the essential criteria for selection during shortlisting and interview.

### **2. Employers' potential liability for discrimination in recruitment**

Applicants for jobs are protected in law from discrimination. This applies at all stages of recruitment, from advertising, shortlisting, interviewing and assessment, through to the offer or rejection, and starting employment.

Employees are protected from discrimination throughout their employment, so the liability covers internal applicants as well as those from outside RBBC. RBBC, as the employer, would be liable for any discriminatory actions taken during our selection and interview processes.

This means that if a member of the interview panel (at officer panel stage or Member panel stage) does or says anything that could be discriminatory, RBBC will be potentially liable if the individual makes a successful complaint to an Employment Tribunal. Further training will be provided around this area

A job applicant who believes they have experienced discriminatory treatment during the recruitment process has up to three months (from the date of the discriminatory treatment) to lodge a claim with a tribunal.

*There is no limit on the amount of compensation that can be awarded for a successful discrimination claim.*

### 3. The law

Job applicants are protected from discrimination in nine areas. These are called 'Protected Characteristics' and all job applicants must be treated equally irrespective of these characteristics.

Protection against discrimination		
Sex	Transgender status	Pregnancy and maternity
Marriage or civil partnership	Race, colour, nationality, ethnic and national origins	Religion or belief
Sexual orientation	Age	Disability

It is irrelevant whether or not the discriminatory treatment is intentional, so you need to be aware that even if your questions were about trying to get to know the applicant better by e.g. asking about their family, the person may feel that they have been discriminated against, even where you did not mean to.

### 4. Good practice in recruitment interviewing

The key purpose of a recruitment interview is to assess the applicant's skill, experience and general background in relation to the role profile in order to make an objective decision about which candidate is the most suitable person for a particular job. You should therefore ask questions to explore facts. It is best practice for the people selecting and interviewing to come from a diverse range of backgrounds to assist with this.

The interviewers must ensure that:

- the criteria in the person specification is assessed;
- the agreed core questions enable the interview panel to assess the applicant against specific criteria in the job summary and person specification; and
- each panel member is aware and agrees the questions, exercises or other means by which each candidate will be assessed.

Take care not to make decisions based on assumptions about applicants linked to your own subjective views and opinions.

It is best practice to prepare in advance a list of core questions, and ask them of all applicants for the particular post, even if you know the person, or their current employer, and think you know the answer. This ensures consistency and fairness because all interviewees will be given an equal opportunity to sell their skills and abilities. These answers can be recorded using a scoring system if this assists in evaluating applicants.

However, you don't need to restrict yourself to asking only these questions. You will also need to ask:

- Questions of a particular candidate e.g. to clarify something vague on an application form or a gap in employment
- Questions to follow up or probe something raised or hinted at by the candidate

As an interviewer involved in recruitment you have a duty to conduct selection interviews fairly and without bias against any particular candidate. This is harder than most people think, because we are all affected by bias and prejudice, often at a subconscious level.

You should therefore recognise how bias may influence your thinking.

Some dos and don'ts to reduce bias	
<p><b>Do</b> recognise that candidates from different racial backgrounds may have different ways of communicating their achievements e.g. some may be reserved regarding achievements. In some cultures it is impolite to make direct eye contact with someone in authority</p>	<p><b>Do</b> guard against the 'halo effect' – when a first impression means you may not be objective e.g. the interviewee went to the same school as you, or you have worked previously worked with them</p>
<p><b>Do</b> recognise your own general attitudes views and like/dislikes and put these aside during recruitment interviews</p>	<p><b>Do</b> distinguish between what the interviewee is presenting and how they present it – a slick confident presentation style may be irrelevant to the person's suitability for the job and may mask flaws in the content</p>
<p><b>Don't</b> allow first impressions to influence the decision e.g. by making assumptions based on appearance or accent</p>	<p><b>Don't</b> be influenced by stereotypes e.g. by assuming older candidates will not be able to train in new technology</p>

## 5. Effective questioning techniques

Thorough preparation is the key to effective questioning. Review the candidate's application form beforehand, as well as the job summary and person specification.

Prepare questions to examine how their skill and experience fits with the requirements for the job.

- Design questions to check facts, get relevant information about each applicant's background, test achievement and assess aptitude and potential
- Ask specific questions on the applicant's work experience, qualifications, skills, abilities, and strengths and weaknesses
- Ask open questions i.e. those beginning with what, why, how, where, when and who. Closed questions (which get a yes or no answer) can be useful to check a particular point or to get the interviewee back on track if they are rambling
- Ask challenging questions, but never in an aggressive or intimidating way
- Ask questions designed to get examples of real situations e.g. 'Tell me about a time when you had to deal with an angry customer. How did you handle it?'
- Ask factual questions about past experience and behaviour and don't make assumptions
- Remember the interview is a two-way process, but don't talk about yourself/the Council too much or show off about your own or our achievements

### Avoiding discriminatory questions

No candidates should be asked questions about:

- Their marital status or family plans
- Childcare arrangements
- General family commitments and/or domestic arrangements

- Actual or potential pregnancy or maternity leave
- Their partner's job and mobility
- Any actual or potential absences from work for family reasons

Such questions asked of a female candidate indicate an intention to discriminate (whether conscious or not) and may have a negative impact on a woman's commitment to the job and her ability to work.

## **6. Interview notes**

You should always keep notes of all interviews and hand these to HR at the end of the process.

You must be able to justify your reasons for any comments or decisions made.

If you have two candidates who have both scored highly, and there is only 1 or 2 points between the scores, you should make a record of why you came to the decision you did.

There are several reasons for keeping notes:

- You do not have a perfect memory and it is difficult to remember who said what
- If an applicant makes a complaint about the recruitment process, you won't be able to remember what happened
- Employment Tribunals may think the whole process was done in an unstructured and subjective way
- Some applicants may ask for feedback on their interview performance
- Records can help defend against a claim of discrimination

Any such records made and placed on file give rise to individual data protection rights. This means job applicants may ask for a copy of their file.

Do not write any comments on the top of the application form or interview assessment form to enable you to remember the candidate (i.e. comments relating to their physical appearance).

## **Closing the interview**

- Ask them if they have any questions
- Thank the candidate for attending
- Inform candidates when you will make a decision and when you plan to let them know – stick to those timelines

## Employment Committee 2019/20

### Draft Future Work Programme

<b>Meeting 1</b> (20 June 2019)	<b>Meeting 2</b> (10 July 2019)	<b>Meeting 3</b> (17 or 18 July 2019)	<b>Meeting 4</b> (September 2019)	<b>Meeting 5</b> (December 2019)	<b>Meeting 6</b> (March/April 2020)
Appointment of Committee Chair/Vice Chair	Recruitment of Section 151 / Chief Finance Officer, subject to (i) the Employment Committee agreeing that the Section 151 responsibilities be moved from the Director position to the Head of Finance and, if so, (ii) the outcome of assessment day for the Head of Finance vacancy.	Update: Organisation Development Strategy / Workforce Data (Discussion)	Update: Director of Finance and Organisation Vacancy	Consultation around the (draft) Pay Policy Statement	Future Work Programme – looking ahead to 2020/21
Introduction / Revised Terms of Reference		Update: Director of Finance and Organisation Vacancy	To consider suitable performance measures for the Organisation Development Strategy – “what does good look like?”	Progress report / on Organisation Development Strategy	
Management Team Update (Exempt)		Lessons learnt from 2019 Pay Negotiations	To consider lessons learnt from the “Be a Councillor Campaign”.  How can lessons learnt be used to help develop the Council’s organisational culture?	Member Learning and Development – feedback on the 2019/20 programme	
Director of Finance and Organisation Vacancy  (Remit / Potential Next Steps / Recruitment Options / Timetable)		Future Work Programme	Future Workforce Requirements – to ensure the Council has access to the right skill sets to deliver its objectives	Workforce Data Summary – six month update	<b>PTO</b>

<b>Meeting 1</b> (20 June 2019)	<b>Meeting 2</b> (10 July 2019)	<b>Meeting 3</b> (17 or 18 July 2019)	<b>Meeting 4</b> (September 2019)	<b>Meeting 5</b> (December 2019)	<b>Meeting 6</b> (March/April 2020)
Pay Award 2019/20 (Verbal Update)			Service and Financial Planning Discussion	Future Work Programme	
Draft Organisation Development Strategy / Workforce Data Summary (Information Item)			Future Work Programme		
Member Learning and Development (Employment Committee)					
Future Work Programme					