

# Audit and Corporate Governance Committee Report

Report of Head of Legal and Democratic Services

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AGENDA ITEM NO 4

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## Shared senior management structure - role of the Audit and Corporate Governance Committee

### Recommendations

That the committee

1. recommends Council to delete from the terms of reference of the Audit and Corporate Governance Committee the power "to agree the changing of salary grades for any posts at head of service and above."
2. agrees that it will have an ongoing important role in relation to the accounting, audit, risk management and corporate governance arrangements arising from the operation of the shared senior management structure as set out in paragraphs 11-13 of this report.

### Purpose of Report

1. This report makes recommendations on the role of the Audit and Corporate Governance Committee in relation to the shared senior management structure of South Oxfordshire District Council and Vale of White Horse District Council.

## Strategic Objectives

2. The strategic management arrangements of each council underpin the delivery of all their objectives and priorities. The proposals for a shared senior management structure were brought forward as a means of delivering efficiency savings and providing value for money services. This committee's responsibilities contribute to the management of the council's business effectively.

## Background

3. At their meetings on 16 July 2008, each council approved the creation of a shared senior management team and set up a Joint Staff Committee to manage the appointments process for the senior management structure posts, to agree their terms and conditions and to deal with related staffing matters. They also set up an informal Joint Senior Management Board to oversee the management arrangements, to make recommendations to each council's Cabinet/Executive on the structure and to develop protocols for the new arrangements.

## Constitutional issues

4. In April 2006 the council established an audit and corporate governance committee to provide a specific body to manage risk, maintain an effective control environment, report on financial and non-financial performance and deal with corporate governance and performance issues. At that stage, the only staffing issues within the committee's terms of reference were the determination of enhanced benefits in respect of redundancies and early retirements. In November 2007 the council made the following additions to the committee's terms of reference:-

- To agree the changing of salary grades for any posts at head of service and above
- To agree human resources matters relating to the local government pension scheme (examples of what this includes are set out in the terms of reference)

These additions were made on the basis that these issues are more appropriately dealt with by a smaller group of councillors rather than the full council and because the council does not have a separate personnel committee.

5. The chief executive has delegated authority to determine the council's establishment, numbers of staff, grading, remuneration and deployment and to agree terms and conditions for the employment of staff, subject to fundamental changes to the organisation structure being agreed by the Cabinet.

## The role of the Audit and Corporate Governance Committee in relation to the shared management structure

6. The terms of reference of the Joint Staff Committee include the power to determine the terms and conditions of service to apply to posts in the shared senior management structure. This includes power to agree common terms and conditions of service for each tier of the joint senior management team, including salaries, subject to ensuring that its decisions are compatible with the target of

achieving savings on senior management salaries across the two councils of £748,000 per annum.

7. When the councils at their meetings on 16 July agreed the Joint Staff Committee's role in relation to posts in the shared senior management structure, it was intended that only that process should apply and that, except as specified, no other existing committees would have a role in it. At its meeting on 1 September, Council therefore agreed that this committee's term of reference "to agree the changing of salary grades for any posts at head of service and above" should not apply to the post of shared chief executive in order to avoid delay in that appointment. The committee now has the opportunity to consider its role in relation to the other shared senior management structure appointments and future appointments.
8. This committee's power "to agree the changing of salary grades for any posts at head of service and above" was introduced for the following reasons:-
  - The appointment of staff and the agreement of their terms and conditions cannot be the responsibility of the Cabinet
  - Whilst the chief executive has a wide delegation on human resources matters it is appropriate for councillors to be involved in the grading structure for the most senior posts
  - Full Council is too large to be an appropriate body to agree terms and conditions
  - The council does not have a separate personnel committee
  - This committee has responsibility for other human resources issues that need to be determined by councillors.
9. In the light of the Joint Staff Committee being set up to manage appointments to the shared senior management structure and to agree the terms and conditions for those posts, this committee is asked to agree that it does not need to have a role in agreeing those salary grades. Although Vale of White Horse District Council's Personnel Committee will have a role in appointments and some other staffing matters relating to the shared senior management structure, that committee does not have a role in determining the terms and conditions (including the grading structure) for those posts. As far as the Vale is concerned, that is a matter purely for the Joint Staff Committee. The following safeguards have been built into the process agreed by both councils:-
  - The overall structure of the shared senior management team will be agreed by the Joint Senior Management Board and the Cabinet
  - The Joint Staff Committee must ensure that its decisions on terms and conditions of service are compatible with the target of achieving savings on senior management salaries across the two councils of £748,000 per annum (The £748,000 saving was based, among other things, on the number of posts in the shared senior management structure being limited to 12, regrading being capped at 10 per cent for these posts only and regrading being resisted at fourth tier or below)

- In reaching decisions on appropriate salary grades for strategic directors and deputy directors/heads of service, the Joint Staff Committee will take account of advice from the chief executive and external recruitment consultants
  - The Joint Senior Management Board and the Cabinet will have an ongoing role in relation to the management of the shared structure including the costs and savings arising from it
  - Once the structure has been implemented both councils can review the process and agree how recruitment and other human resources issues arising from the shared structure should be dealt with on an ongoing basis.
10. It is suggested that for the time being the committee retains its responsibilities for enhanced benefits in respect of redundancies and early retirements and for human resources matters relating to the local government pension scheme for all staff employed by this council. On completion of implementation of the shared senior management structure further consideration can be given to the recruitment and management arrangements for the future.
11. This committee does however have a very important role in relation to the shared senior management structure arising from its other terms of reference. The report to both councils in July set out the challenges and risks associated with the creation of a shared senior management structure, alongside the benefits. That report also set out the governance structure which will apply to the new arrangements. Each council will retain its own executive and its own committees to carry out non-executive functions including audit and corporate governance.
12. In relation to the shared structure it will be important for this committee to satisfy itself that:-
- The identified risks are built into the council's risk management processes and are managed appropriately
  - Any audit reports and recommendations in relation to the structure are appropriate and acted upon
  - The council's corporate governance arrangements and the Annual Governance Statement properly reflect the shared structure
  - Appropriate accounting arrangements are in place for the shared structure.
13. The matters set out in paragraphs 11 and 12 raise significant assurance issues which fall within this committee's area of responsibility. It is more appropriate for the committee to have that role in relation to the shared senior management structure than to be involved in decisions on the grading structure which can be dealt with through other decision-making processes with adequate safeguards.

## **Financial Implications**

14. The financial implications of the shared senior management structure were dealt with in the report to both councils on 16 July. There are no direct financial implications arising from the consideration of this committee's role in relation to that structure.

## **Legal Implications**

15. The Joint Staff Committee provides a formal decision-making body through which both councils can agree the terms and conditions of the posts within the shared senior management structure. Each council can decide whether it wishes to provide in its constitution that any of its other committees should have a role in this process, but there is no requirement for such involvement.
16. If this committee agrees that it does not need to be involved in agreeing the salary grades for strategic directors and deputy directors/heads of service in the shared senior management structure, then it should recommend Council to delete this provision from its terms of reference in the constitution. A future constitution review will consider what further amendments are needed to the constitution generally to reflect fully the implementation of the shared senior management structure.

## **Human Resource Implications**

17. The role of the relevant committees in relation to human resources issues is covered in the body of the report.

## **Conclusion**

18. In view of the scope of the terms of reference of the Joint Staff Committee and the safeguards set out in paragraph 9 of this report in relation to the implementation of the shared senior management structure, the committee is asked to recommend Council to delete from the committee's terms of reference the power "to agree the changing of salary grades for any posts at head of service and above." The committee is also asked to agree that it will have an ongoing important role in relation to the operation of the shared senior management structure as set out in paragraphs 11-13 of this report.

## **Background papers**

None