



**Grant Thornton**

An instinct for growth™

---

# Report in the Public Interest

---

**Derby City Council**

**Audit of Accounts 2013/14 and 2014/15**

**Governance Issues**

## **Contents**

### **SUMMARY REPORT**

Introduction	<b>1</b>
Our responsibilities	<b>1</b>
Audit Approach and scope of this report	<b>2</b>
Main Conclusions	<b>3</b>
Next Steps	<b>6</b>

### **DETAILED REPORT**

The Implementation of Job Evaluation	<b>7</b>
-History of the Project	<b>7</b>
-Impact of the Mismanagement of the Project	<b>14</b>
-Governance of the Project and Involvement of Members in Decision Making	<b>14</b>
Web Help	<b>17</b>
Taxi Licensing	<b>21</b>
HRIS Payroll Project	<b>25</b>
Overall Governance of the Council: Member and Officer Arrangements	<b>28</b>

### **APPENDICES**

Appendix 1: Recommendations under Section 11 of the Audit Commission Act 1998	<b>31</b>
---	-----------

## Summary report

### Introduction

1. This report is issued in the public interest under section 8 of the Audit Commission Act 1998 (the 1998 Act). This section of the 1998 Act requires us to consider whether, in the public interest, we should make a report on any significant matter coming to our attention to bring it to the notice of the audited body and the public. We are making this report in the public interest because we have identified failures of governance at Derby City Council in the management of major projects and in relation to Member conduct; specifically in relation to:
  - the implementation of Job Evaluation
  - the delivery of the Webhelp project
  - the operation of the Taxi Licensing function
  - the implementation of the HRIS payroll project; and
  - overall governance: Member and officer arrangements
2. A number of the matters outlined above, but particularly the Job Evaluation project, have attracted considerable public and press interest. The Council highlighted areas of concern in respect of governance in its 2013/14 and 2014/15 Annual Governance statements. Job Evaluation has cost more than £5m to date and we have also identified significant governance failings in relation to the other projects outlined above, but also in relation to Member and officer arrangements. We are issuing this report in the Public Interest under section 8 of the 1998 Act due to the significance of the findings.
3. As the report is issued under section 8 it will be required to be dealt with in accordance with section 10 of the 1998 Act which requires our report to be considered by the full Council within one month at a public meeting.

### Our responsibilities

4. External audit is an essential part of the process of accountability for public money. In relation to the financial years 2013/14 and 2014/15, for which we were the Appointed external auditor for Derby City Council, auditors operated within powers and duties given under the Audit Commission Act 1998 and the Code of Audit Practice (the Code) approved by Parliament. The Code determined the nature, level and scope of external audit work. Under the Code, the external auditor provides:
  - an independent opinion on a public body's accounts
  - an independent value for money conclusion as to whether a public body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources

## Audit approach and scope of this report

5. As part of this investigation we have interviewed a relatively large number of individuals, including the Designated Independent Person ('DIP') who carried out disciplinary investigations in relation to the former Strategic Director of Resources (known hereafter as SDoR) and the former Director of HR and Business Support (known hereafter as the Director of HR), and we also had access to the DIP's records and those of Geldards LLP who assisted in the investigations. We have also had access to documents and information held by the Council. We have been unable to interview a small number of individuals referred to in this report as we could not locate contact details for them.
6. The scope of our work included matters set out in allegations made to us in July 2015. The report does not comment on all of the matters covered by the allegations; in particular we have not referred to those matters which we consider on balance not to have merit or relevance to the governance of the Council.
7. A number of staff referred to in the report are no longer employed by the Council. To avoid repetition, officers who no longer work for the Council are termed 'former officers' and references to the following officers relate also to persons no longer in the employment of the Council:
  - Chief Executive
  - Strategic Director of Resources ('SDoR')
  - Service Director of HR and Business Support ('Director of HR')
  - Pay & Reward Project Manager
  - HR Adviser
  - Head of Strategic HR & Development
  - HR Team Leader
  - Team Leader (Organisational Development & Projects)
  - Head of Procurement
  - Director of Regeneration
  - Director of Legal and Democratic Services
8. As noted above, we are the appointed external auditors for the financial years 2013/14 and 2014/15. Whilst all issues reported upon here arise in those financial years of account (and in relation to which the audit is still open), we do mention matters in 2015/16 where it is necessary to describe the outcome or up-to-date position on the issues identified from previous years. The Council's current external auditors (Ernst & Young LLP), who will audit the accounts for the financial year 2015/16 will separately form their own view on any matters mentioned here which relate to that year of account.

## MAIN CONCLUSIONS

### Introduction

9. The City Council has a track record of considerable achievement, which is attested by external commentators. However the systems of governance underpinning these achievements were flawed in some respects. Consequently, some key projects, such as Job Evaluation, met with major problems because officers did not report risks sufficiently promptly. We have also noted failings of governance due to Members involving themselves inappropriately in operational matters in some areas. We recognise that with a new elected Leader in place from June 2014 and new management team from February 2015, the Council understands that a more robust approach to governance is essential.

### The Implementation of Job Evaluation

10. The implementation of Job Evaluation (JE) at Derby City Council has been characterised by failures of governance. JE involves the sizing of all jobs within an organisation to establish their relative importance to the organisation and their relative difficulty. The Council appointed a small HR consultancy, Aquarius, in 2012, to assist it with JE. It transpired that Aquarius did not have the intellectual copyright to carry out the Hay evaluations which were required by the Council. The decision to appoint Aquarius was flawed, as Hay had tendered a lower price for the work, and a referee for Aquarius had questioned whether the firm could deliver Hay evaluations. A junior officer queried the decision in September 2012 but the issue was not escalated to senior management. Some important decisions were made too low in the organisation and former senior officers failed to put in place proper project management arrangements or provide adequate oversight. Later in April 2013 the then Strategic Director of Resources (SDoR) was told by a Hay representative that he was aware that Aquarius was using the Hay methodology in breach of Hay's copyright. The SDoR should have raised this issue corporately and with the Council's Chief Legal Officer. He failed to do this. Aquarius denied it was using the Hay methodology, but the Council's former senior officers, continued, wrongly, to assume that the firm was licensed to use the approach.
11. Later in January 2014, Hay Group wrote to the Council's then Leader and Chief Executive highlighting the copyright issue and the possible legal consequences for the Council. This again was not surfaced corporately. By June 2014 it was clear, following external legal advice, that continuing with Aquarius was untenable. However it should have been clear as early as September 2013 that asking a firm other than Hay to apply a Hay-based approach would be problematic. The Monitoring Officer produced a paper in June 2014 which outlined options. As a result of the project failings, the SDoR was subject to disciplinary action and subsequently dismissed. The Director of HR was also initially suspended but left the Council on mutually agreed terms. Aquarius did no further work and Hay was engaged to complete the project, which involved repeating the work completed by Aquarius. That work is on-going. Total spend on Job Evaluation to Spring 2016 was of the order of £5m, but the Council has estimated that the mismanagement of the project, associated with the Aquarius contract, has cost the Council an additional £1.2m as well as imposing stress on staff through the prolongation of the process.

12. The governance of the project was overcomplicated and Members were too involved in operational matters in some areas. The pay option adopted in October 2013 for staff subject to JE was motivated, according to officers, by a political desire to protect refuse workers, whom Members feared, might strike prior to the May 2014 elections, if they received an unfavourable pay outcome. This resulted in extra costs of £3m in the short-term, to ensure that similar staff were treated comparably to the refuse workers. Some Members argue that the aim was to protect groups of staff more broadly. The pay option adopted proved costly at a time when the Council knew that it needed to save £77m over three years. The meetings at which these matters were discussed were not minuted, so the basis for the decision was neither transparent nor accountable, nor was the decision approved in writing by any committee of the Council.

## Web Help

13. The Council provided support amounting to £2m in 2011 to a firm called Webhelp (originally HEROtsc) to enable it to occupy premises on Pride Park to safeguard jobs. The support achieved a positive outcome. Cabinet agreed the support but had been informed that external legal advice would be sought to confirm that the arrangement was lawful and compliant with European state aid rules. The former Chief Executive who headed up the Regeneration Department, had overall responsibility for the project and for ensuring, with his team, that legal advice was secured, in consultation with the Council's legal team. We have been unable to locate any such advice. The Council received an email giving general advice but it did not address the Council's particular circumstances. It would appear that a major project was embarked upon without the Council being satisfied that it was lawful.
14. Subsequently the firm asked for further help on the same basis. In March 2014 discussions took place between Webhelp and the Council's officers, including the former Chief Executive, and an offer was made to the firm, without at any stage, having involving the Council's legal officers. The Council's Monitoring Officer intervened and the offer was withdrawn and an arrangement negotiated which was legally compliant. Although the arrangement had a positive outcome for the City, the failures in governance outlined above, were indicative of a more general culture within the Council at that time, where on occasion, corners were cut, and decisions made outside the Council's committee and legal structures.

## Taxi Licensing

15. Taxi Licensing has received public attention since the publication of the Louise Casey report at Rotherham Borough Council, which identified links between child sexual exploitation and the taxi trade in the Rotherham area. Our review of the taxi licensing function at Derby indicates failings. Officers have stated that some Members on the Taxi Licensing Committee have in the past lobbied on individual drivers' behalf when decisions on granting taxi licences have been made. The Committee has also made some very poor decisions during the period 2012-2015, which have involved granting taxi licences to individuals with criminal records who have committed offences including hate crime, harassment, intimidation and making improper comments to young females. The Council has taken steps to strengthen governance in this area including the re-introduction of officer advice in the decision making process.
16. The Committee has not had strong Member leadership and there is evidence that Members continue to involve themselves inappropriately in operational matters. In one instance a Member attended a meeting between one of the Council's licensing officers

and a taxi driver to inspect his vehicle, and the Member made a series of comments which were perceived as being unhelpful to the officer in the discharge of his duties. Progress has been made, but the Council needs to reinforce the need for Members not to make inappropriate interventions. To improve the quality of decision making, it may be necessary to consider more radical options such as making the licensing function a purely administrative arrangement to strengthen the objectivity of the process.

### HRIS Payroll Project

17. The Council began a project to replace its payroll computer system in 2012. The internal project management was not effective which meant that implementation was delayed from June 2013 to April 2014, which in turn necessitated the engagement of additional consultancy assistance to deliver the project. The SDoR had overall responsibility for the project and whilst he injected energy to ensure it was completed, he signed off four contract wavers totalling £0.52m in respect of the additional consultancy work, none of which were reported to Cabinet, and two of which were not reported to the Audit and Accounts Committee, as was required by standing orders. The SDoR has stated that the payments were 'urgent' payments which did not need to be reported to Cabinet. We do not agree with that view and conclude that the SDoR failed to ensure that proper reporting processes were followed.

### Overall Governance of the Council: Political and Officer Arrangements

18. The current political and officer leadership is committed to adopting a stronger approach to governance. However some issues of political governance still need to be addressed. For instance officers are confused about the role of political Cabinet, PCCM, a key forum, which officers regularly attend, which has operated for a number of years. It is not a committee of the Council, hence has no authority to make decisions. In November 2015 PCCM decided to re-instate CCTV but it had no powers to make such a decision. This was subsequently rectified. Key meetings of the Leader and strategic officers have often been attended by the local Political Agent. He has no locus to attend meetings with officers present. These arrangements need to be regularised to prevent the blurring of officer and Member roles and strengthen the accountability of decision-making. We understand that clearer guidance is now being developed to strengthen the governance of PCCM and the Agent will not attend PCCM when officers are present.
19. The Council's political culture has been fractious for a number of years, due to the behaviour of a minority of Members from across the political spectrum and the Standards Committee has been used as a vehicle for political point scoring. Allegations have become part of the mainstream political discourse. The breakdown in trust means that opposition parties have not in the past put forward Members to sit on the Standards Committee. The Conservative group has however recently nominated a Member to sit on the Standards Committee, which should strengthen confidence in its operation.
20. The officer culture has strengthened in the last 12 months. Officers refer to a previous practice of not reporting bad news. This was characteristic of the Job Evaluation and payroll projects. Members learnt about significant issues too late. The Council was previously seen as chasing awards. But within nine months of the Council being awarded the Management Team of the Year award in 2014, the Team had lost half its key members who had been suspended or left the Council. The development of a series of shadow structures, served to reduce accountability and transparency as they were often not minuted. Corners were sometimes cut as was clear in relation to the delivery

of the Web Help project. The new Management Team is more cohesive in our view and the officer culture has strengthened.

### Next Steps

21. As a report in the public interest issued under section 8 of the Audit Commission Act 1998, there are formal legal requirements with which the Council must comply; it must:
  - consider the report at a public meeting of the full Council within one month of its receipt
  - must publicise, in advance, the meeting and the reason for it
  - publicise after the meeting the decisions taken in response to this report

## DETAILED REPORT

### Introduction

22. The City Council has a track record of considerable achievement, which is attested by external commentators. The failures of governance outlined in this report do not alter the fact that the Council has achieved a lot in recent years, including delivering key regeneration projects in the City, centralising services in one main Council office and building the innovative Derby Arena. However the systems of political and officer governance which underpinned these achievements were flawed in some respects. As a consequence, a number of key corporate projects, such as Job Evaluation, met with significant problems primarily because officers did not report risks sufficiently promptly. But we have also identified failings in governance because Members involved themselves inappropriately in operational matters in some areas.
23. We recognise that with a new elected Leader in place from June 2014 and new management team from February 2015, the Council understands that a more robust approach to governance is essential.

### The Implementation of Job Evaluation

#### Introduction

24. Over more than a decade, the Council has sought to implement a scheme of Job Evaluation. Job Evaluation (JE) involves the sizing of all jobs within an organisation to establish their relative importance to the organisation and their relative difficulty. Local authorities have been required by Government to review jobs and pay as part of the single status implementation agreement. JE reviews carried out at local authorities over the past few years have identified that some employees with equivalent roles have been paid at different rates, for instance, where female employees were paid less than their male equivalents. JE has been undertaken therefore at Councils to ensure that pay and job sizing arrangements are appropriate and comply with the law.
25. Nationally, agreement on the introduction of Single Status (a single framework for grading structures) was reached in 1997, with the intention that local authorities would implement new pay and grading structures by 2007. The Council made a number of attempts to introduce Single Status (hereafter referred to as Job Evaluation) but without success. The successful completion of this project was of significant importance to the Council, not only to protect itself against equal pay claims, but also because it affected the pay and conditions of all staff. It was therefore potentially high risk.

#### Procurement of Consultant

26. Accordingly a report was considered by Cabinet in 2010 which recommended the engagement of a consultant to work with the Council to deliver a new pay and grading based on job family modelling, by May 2013. The Strategic Director of Resources (SDoR) was given delegated authority by the then Conservative Leader, to procure a strategic partner, although we have not been able to locate a copy of the original signed

delegation. An OJEU contract notice was prepared in November 2010, but the procurement process was not commenced until late 2011.

27. We have noted shortcomings in the procurement process. A procurement team was established, but this was headed up by the Pay & Reward Project Manager; there was little involvement of the SDoR or Director of HR. For a key corporate project, there should have been senior involvement in our view. Seven tenders were received and evaluated by the procurement team, which included tenders from some of the national firms with expertise in the area. The tenders were evaluated on quality (60%) and cost (40%) grounds, and the four highest scoring companies were invited to present and be interviewed. Following this process, the bid from Aquarius Management Consultant Ltd (known hereafter as 'Aquarius'), a small consultancy firm, was accepted on 26 March 2012, receiving, as it did, the highest score.
28. Aquarius' tender was in the sum of £282,450 (including Licensing). Hay Group (known hereafter as 'Hay') submitted the lowest cost tender of £276,050 but scored lower on quality. The tender evaluation was flawed in a number of respects. Although Aquarius took out professional indemnity insurance for the contract, with cover up to £10m, it had total assets of only £0.385m and working capital of £0.171m at 31.7.2010. Aquarius was also unable to carry out the detailed plotting of the pay line model which required the Council to procure an additional consultant, at the cost of £30,000, to carry out the work. Hay by contrast would have been able to provide this service.
29. Project management arrangements were established but these proved not to be effective. The proposal by this stage was to implement a new pay and grading structure across the Council's entire workforce by April 2014. A Project Board was established with the SDoR as Senior Responsible Officer which placed significant responsibilities on him for delivery of the Council's most important internal project. The Director of HR worked closely with the SDoR on the project and it appears that they generally had equal status, in terms of its oversight and delivery. The Pay & Reward Project Manager was designated Project Manager and a project team was established. Strategy and Operational Boards were also established although over time their responsibilities became blurred. The Strategy Board had member input, the Operational Board was officer-led.

### **Specification of the Project**

30. The project work was poorly specified. This resulted from the Strategy Board deciding in September 2012 on a change of direction. This involved adopting a hybrid approach to job evaluation, with lower-level jobs being evaluated using the NJC scheme and higher-level jobs, using the Hay scheme. The precise boundary between the two approaches remained to be agreed. The change of approach was instigated because the incoming administration, elected in May 2012, wished to see jobs evaluated on a more analytical basis, rather than use the job family modelling approach set out in the original tender specification. This was an important moment in the project, as the Council's then senior officers should have reconsidered, whether the consultant it had engaged was able to deliver the work required in accordance with the changed specification. It should have considered formally whether to re-tender the work or negotiate a contract variation reflecting the changed requirement. This did not happen, nor was the changed specification properly articulated in a written document, which subsequently led to confusion over the direction and delivery of the project.

31. Instead, at the September meeting of the Strategy Board it was noted, in a paper drafted by the Pay & Reward Project Manager:

'Mindful of the potential number of jobs requiring Hay evaluation and the need to complete these evaluations by June 2013 it is recommended that Hay evaluations are undertaken by representatives of *Aquarius, the Council's Strategic partner on Pay and Reward Strategy, who are licensed to use the Hay proprietary Job Evaluation Scheme and associated Grade Charts [our italics]*....In order that the Council is able to deal with any consequential appeals against the application of the Hay scheme and also undertake Hay evaluations post implementation from within the HR service, the Director of Human Resources and Business Support will arrange for HR staff to be trained in the full Hay Job Evaluation methodology.'

32. Not only was the project poorly specified, but the Council's former officers failed to understand at the outset that its appointed consultant was unable to carry out the work in the way that the officers had envisaged. The reference to Aquarius being licensed to use Hay's proprietary Job Evaluation scheme was incorrect. The then officers ought to have been aware that this might create difficulties, as one of Aquarius's references in support of its tender bid, had reported, 'one area of concern, which transpired a couple of years after implementation, this was in relation to Aquarius using the Hay methodology for evaluating posts.' The reference went on to state that 'When we contacted Hay about pay data they informed us that that Aquarius were not licensed to use the Hay system and I understand that they were going to contact Aquarius directly about this.' This reference was seen by the Procurement team, but it does not appear to have been seen by senior staff. Aquarius saw the report but did not comment on the report's reference to the firm's ability to apply the Hay methodology.
33. Accordingly the former officers did not consider whether Aquarius could deliver the project, given that the firm had no intellectual copyright to carry out Hay evaluations, which was what the Council required Aquarius to do. The Council's officers had followed up the intellectual copyright issue with Aquarius, following interview in March 2012 and received the following response:

'The legal advice we were given tells us that we cannot (and would not)

- Portray ourselves as being 'licensed' by Hay
- Provide Hay proprietary materials (Guide Charts, etc) to a client
- Train new clients in Hay methodology
- Provide Hay proprietary pay data to clients

However the training that Hay gave us when we worked for them allows us to:

- Use the methodology ourselves, the main reason why we use it as an underpinning
- Refresh the training of existing clients
- Assist clients in their use of the methodology
- Assist clients in the interpretation of pay data

We were advised that Hay's attempt to prevent us from using our knowledge in this way amounts to a restraint of trade. At our interview with Derby we were asked specifically about this and replied that we would advise you to approach Hay directly for pay data. We advised that we subscribe to a number of sources of pay data, but that we had yet to

find a more reliable source than Hay. Aquarius has a great deal of respect for the Hay methodology, as it has so successfully stood the test of time and challenges under equality legislation. However as we said in our proposal and at our interview, it may be one favoured approach among others, but the methodology to be adopted would have to be discussed at the initial planning phase of the assignment.'

34. This response was not entirely satisfactory as it did not answer the question, whether Aquarius could use the Hay methodology or not.
35. The SDoR and Director of HR, who had overall responsibility for delivery of the project, were not made aware of emerging concerns. An HR Adviser who had been involved in the procurement process, sent a note to the Pay & Reward Project Manager, the Head of Strategic HR & Development and the HR Team Leader setting out her concerns regarding the ability of Aquarius to deliver the agreed work:

*'My preliminary concern with the Aquarius 'black box' approach is that I am still unclear as to whether we will be able to call the methodology HAY...if we cannot call this 'Hay' then we have a presentational issue on our hands – firstly are the Strategic Board clear that they have approved a hybrid approach using NJC/Hay based scheme and secondly how will this be perceived by TU/employee – How will a method that is 'like Hay, but not Hay' be received? Is the perception any better than a bespoke scheme?*

36. She went on to raise further concerns over lack of transparency and evidence:

**'1) Lack of Transparency** – will Aquarius be able to provide us with enough information to satisfy scrutiny of the scheme and peoples understanding of their job has been evaluated... we can be open and transparent on the NJC methodology but this could potentially highlight our inability to comment on the Aquarius approach.

**2) Lack of Evidence** - i.e the ability to provide matrix on which analysis of job made – I believe that [two Aquarius directors] have both stated that they will not be able to provide us with the Hay matrix/tables as they do not have proprietary rights to the scheme. Is this something we are willing to communicate to the workforce? ...How will a person that is dual evaluated be able to make a decision on how fair the decision to place them under a scheme is if they have access to a full factor breakdown using NJC and just a score for HAY?'

37. The concerns of the HR Adviser were both relevant and prescient. However the report to the September Strategy Board by the Pay & Reward Project Manager, ignored these concerns, and they were not shared with either the SDoR or Director of HR, nor were they reported to Members. However the SDoR and Director of HR should have been asking questions based on what they knew of the tender process. If Aquarius was not able to provide Hay materials and data, it is difficult to see how the firm could be described as undertaking an evaluation of jobs 'using proprietary Hay methodology'. If the Council, now wanted to apply a Hay approach, it should have appointed Hay to do this.
38. The Council's former officers also failed to take account of concerns raised by Aquarius about the direction of the project and failed to put in place adequate arrangements to manage the work. Aquarius has stated that the HR Team Leader's concerns, in part reflected concerns expressed by Aquarius in discussion with her. A key Aquarius Director has said that he had little access to the SDoR or the Director of HR until much

later in the project. Emerging concerns were therefore not filtering through to the top of the organisation. Key decisions were made too low down in the organisation and poor project management resulted, for instance, in jobs being fed through to Aquarius for evaluation in a piecemeal rather than holistic way. This process was not assisted by Job Information Questionnaires being returned late by departments.

39. For the project to have succeeded, would have required the Council to collect job pay data, which itself did not prove straightforward, and Aquarius to devise a 'non-Hay' job classification system, for the Council to use to deliver job evaluations. This did not happen. Instead the number of jobs requiring 'Hay' evaluation increased from 500 to 800 which led to an increase in price of £60,000. Aquarius expressed concerns about meeting the project completion date.

#### **Responding to concerns raised by Hay about copyright: April 2013-December 2014**

40. The SDoR and Director of HR failed to report to corporate colleagues, concerns raised by Hay about potential copyright infringements by Aquarius. The SDoR met with a Hay representative on 22 April 2013. The Hay representative referred to the copyright issue at the meeting. The SDoR emailed the Director of HR afterwards stating that, 'They are aware Aquarius are using the Hay methodology and are suggesting that they have copyright. I was non-committal at my meeting.'
41. Neither the SDoR nor the Director of HR shared any concerns with the Chief Officer Group (COG) following the Hay meeting. This was unwise. Hay was a large company, likely to have a legitimate interest in safeguarding its reputation and brand. The SDoR, as Senior Responsible Officer, should have informed COG and the Council's Monitoring Officer about the copyright issue. The Monitoring Officer could then have assessed the likelihood of any legal challenge and considered strategies to mitigate risk. The SDoR has stated that he had considered Hay's response to be sour grapes, having not been awarded the work in March 2012, and that he had relied upon his Director of HR's assurances, as his professional lead. These justifications are inadequate in our view.
42. The SDoR and Director of HR also failed to take account of and adequately evaluate information received. Following the Hay meeting, the Director of HR had pursued the copyright issue with Aquarius. Aquarius responded by stating that:

'we have never claimed that that we are using the full Hay methodology in any public forum...I reiterate my concern that we are "doing this to you rather than with you" because you have no Hay trained staff, but we have agreed a two stage process to sore thumb the evaluation results with you on a rank order basis to ascertain a fair felt result. You are unable to check the detail of the evaluations we have used in the background in the same way your NJC evaluators can check the detail of the evaluation panels.'
43. This was an important point. If the Council did not have the ability to conduct any appeals arising following job evaluation, and Aquarius did not either, job evaluation could not be carried out to a proper conclusion. No internal discussion of this point took place. Instead, on 2 July 2013 Aquarius stated that a contract variation of £132,800 was required to complete the work. The Council did not reply to Aquarius. The revised contract value of £261,335 was paid by July 2013. Any subsequent payments would exceed the agreed contract sum and require an approved variation.

44. The continuing mis-management of the project meant that by August 2013, the Council decided to put the timing of the schools job evaluations back. Accordingly only the non-schools evaluations could be concluded by the now revised deadline of April 2014. By late 2013, the non-schools evaluations were completed, which now prompted consideration of how appeals might be conducted, given that Aquarius could not train Council staff to manage the appeals. Hay was approached about providing training.

#### **Responding to legal letters from Hay: January 2014- June 2014**

45. The pattern of failing to adequately evaluate information received is also highlighted by the former officers' responses to communications received from Hay in January 2014. On 17 January 2014, Aquarius forwarded an email to the Director of HR which the firm had received from the General Counsel to the Hay Group. This alleged that Aquarius had infringed Hay's intellectual copyright. Aquarius asserted that it 'had corrected your people when they have referred to us as 'Licensed by Hay' ...we have never provided you with any Hay proprietary materials ..nor have we provided your staff with any training in the Hay © Methodology....we have spoken with you on a number of occasions about the need for you get some staff trained by Hay if you wish to use the Hay © Methodology.'
46. The Council was confronted with two significant problems: the potential infringement of intellectual copyright, but also the difficulty of concluding the project without any Hay-trained staff to conduct appeals. The Council ignored the second problem and focused on the first. On 20 January, the Council's then Leader, received a letter from Hay stating that 'the proposed changes to pay arrangements for your employees in Derby City Council have involved unauthorised use of our intellectual property, Hay Group job evaluation methodology. The implications are of great concern to us and we believe this could have adverse consequences for your staff and the Council.'
47. The Chief Executive received a similar letter from Hay at the same time and he shared it with the SDoR and the Director of HR. The latter responded that it was a matter for Hay and Aquarius to resolve. The Chief Executive replied by email: 'But could this put the implementation at risk?'. It was a good question, but he was the only officer asking it. He did not receive a reply from either the SDoR or the Director of HR. He acknowledges now that he should have pressed more vigorously for an answer. The SDoR and the Director of HR, moreover, failed to take action to ensure that the project, and appeals process, could be completed successfully.
48. The Monitoring Officer was informed about Hay's copyright challenge in January 2014 and was asked to commission advice by the Chief Executive, from an 'intellectual property' (IP) barrister regarding Hay's claims. Rebuttal letters were issued to Hay denying the legitimacy of its claims. The former Leader, the SDoR and the Chief Executive have argued that they did not report more widely at this stage, because the view that they were consistently receiving from the Monitoring Officer, based on the barrister's advice, was that Hay's case was flawed. This argument cannot be sustained in our view. A threatening legal letter had been received from a major firm, and the wider chief officer group should have been warned about a potential risk to a key project, irrespective of the perceived merits of the Council's case.
49. Email correspondence between the Monitoring Officer and the IP barrister, shows that doubts emerged in the following months about the strength of Aquarius's case. These doubts were not shared at the time with the Chief Executive, the SDoR or former

Leader. The Monitoring Officer states that she did not share the email correspondence with the IP barrister, at that time, because she did not have sufficient hard intelligence, and only received information on Aquarius' approach, and Hay's past involvement, in a piecemeal fashion over the succeeding months. Having not been fully involved in the project, her emerging conclusions in her correspondence with the barrister, she argues, were based upon hunches rather than firm conclusions. It accordingly took some time to gain a full understanding of the relevant issues.

50. However, any communication shortcomings at this point, were much less significant in our view, in contributing to the project's mismanagement, than the failure of the project team to report to senior management, the flaws in the project identified by the HR Adviser, at its inception, in September 2012. The project should have been fundamentally re-thought at that point. Moreover, between September 2012 and April 2014, the SDoR and Director of HR, had received information, which should have convinced them that the Council's approach was flawed. They had known about the emerging risks, relating to: copyright; the difficulties of producing adequate data to validate job evaluations, and the ability to conduct an appeals process. They failed to evaluate these problems adequately or share them with corporate colleagues.
51. The SDoR and Director of HR continued to argue that it was legitimate for the Council to assume that Aquarius was able to carry out Hay evaluations. This confidence was misplaced. At a meeting with Hay on February 28 2014, attended by the SDoR, Monitoring Officer and Director of HR, the Council's officers were informed that all of the work undertaken by Aquarius was 'flawed'; that 'all of the evaluations would have to be re-done by Hay', and that Hay would only offer training to support evaluation work carried out by itself, not Aquarius. Despite this, the SDoR argued on 31 March 2014, in an email that 'I now believe that all our future options lie with Aquarius.'
52. The contract termination date with Aquarius was 31 March 2014. The SDoR has stated that he was unaware of this. He also appears to have been unaware and failed to report that the original contract value of £282,450 had already been exceeded, the cumulative stood at £348,290 at 13 February 2014. The former senior officers' attempts to resolve issues with Hay were poorly judged. At meetings up to June, Hay representatives were clear that they would not work alongside, or complete work performed by Aquarius. The SDoR argues that he was still relying on the Monitoring Officer's assurances in regard to the IP issues, but this ignored the practical reality, that irrespective of whether the Council's position on IP were correct or not, Hay had been clear that it considered Aquarius' work flawed and would not rely on it.
53. The Monitoring Officer was increasingly concerned about the possibility of legal challenge. She took action to resolve the issue. She approached the Chief Executive, the SDoR and the Director of HR on 29 May 2014 to discuss her concerns, and prepared a report setting out these concerns on June 3, which was updated on 17 June. These related to the IP issues as well the legal and contractual difficulties of continuing to work with Aquarius, along with a range of other contractual challenges. It had taken some time for the Monitoring Officer's report to be produced but she has stated that it was only at this point that she had enough conclusive evidence to produce the report.
54. A briefing for COG did not take place until 7 July 2014. The Director of HR prepared a paper advocating continuing to work with Aquarius to complete the project, but this did not prove viable. The SDoR and Director of HR briefed the Cabinet Lead for Business, Finance and Democracy, on 9 July 2014. The latter argues that this was the first time that Members more broadly, had been informed about the Hay challenge and the risk

that it presented to the delivery of the Pay & Reward project. Shortly after this, the SDoR and Director of HR were suspended in July 2014, leading to formal disciplinary action being instigated. This was at the instigation of the new Leader appointed in May 2014. The disciplinary investigation led to the SDoR being dismissed in March 2015. The Director of HR left the Council later in the year on mutually agreed terms following a period of illness.

55. In relation the Job Evaluation project, as Aquarius was unable to provide appeals training, and Hay was unwilling to provide that training, as it considered the work carried out by Aquarius to be flawed, the complete implementation of the new pay and grading structure could not be delivered. This was despite revised pay arrangements having been implemented from April 1 2014. Accordingly, the Council eventually took the decision in September 2014, having taken appropriate legal advice, to engage Hay to complete the job evaluation process, including the process for non-teaching staff at the Council's schools. Work commenced on 1st October 2014 for a period of six months, with Hay Group committing to provide support for a further two years thereafter. Work has been on-going in finalising the Job Evaluation. We have not reviewed this work.

### **Impact of the Mismanagement of the Contract**

56. What was the impact of the events described above? The transition from Aquarius to Hay meant that the elapsed time for the project has extended well beyond the time span originally envisaged. This impacted on the Council in terms of morale and additional cost. The events described were not in the public domain, due to the need to preserve confidentiality as the disciplinary processes unfolded. Staff did not know what had gone wrong, and did not have a context against which to understand the positive actions which the Council subsequently took, to strengthen governance. The fundamental flaw in governance was the failure of key former officers to report emerging risks at the right time. The Chief Executive, SDoR and Director of HR all argue, in mitigation, that they had heavy workloads at the time and were working in a highly pressurised political environment. This does not in our view excuse their shortcomings in relation to this project.
57. The Council has estimated that the failings of the project outlined above have led to additional costs in excess of £1.2m. Hay has been working since 2014 to complete the job evaluation which has meant re-performing work carried out by Aquarius. Total spend to April 2016 is anticipated to be of the order of £5 million. £9 million was originally set aside by the Council in total in relation to the pay review work. This was reduced to £6 million in 2016. The likely net effect of all this work is that 2,079 staff will lose pay, while 4,091 are set to stay on the same amount or receive an increase. This has increased the period of time in which staff have been subject to uncertainty about their pay arrangements.
58. There were other aspects of the project in relation to project governance and the involvement of Members, which displayed failings and these are covered below.

### **Governance of the Project and Involvement of Members in Decision Making**

59. The governance of the project was overly complex. The Council had a series of general project boards which included a People Board under the chairmanship of the then Director of Strategic Services & Transformation. There was also a parallel structure established by the SDoR entitled the Directorate of Strategic Resources Programme

Board which had a series of sub-boards and additionally there was a third stream of project boards, including a Negotiating Committee, which sat under the Personnel Committee, which reported to Cabinet. Monitoring activity was therefore confused and duplicated and was not monitoring the real risks.

60. Whilst Members properly needed oversight of the project, they were, in our view, involved at the wrong level in some areas, for instance, being engaged in the detailed discussions relating to the emerging pay model. The Members involved, argue that this detailed involvement enabled them to head off potential issues in discussion with the Unions. This was however unusual according to external consultants involved, and led to a blurring of officer and Member roles. It would be more normal for officers to develop the detailed pay model, without Member involvement, feeding back the results and options to Members for approval at a strategic level. The Cabinet Member for Business, Finance and Democracy also insisted on day to day involvement with the project, although the Chief Executive had informed her that such detailed involvement would not be normal practice.
61. In July to October 2013, the Negotiating Committee considered the emerging pay model. The Committee was assisted by Finance staff and an external consultant who helped with the pay modelling. This involved working through the impact of the JE process on pay rates, comparing existing with the jobs emerging from JE. We have been unable to locate the minutes of this Committee. A variety of models were developed, taking account of the job evaluation work carried out by Aquarius and the Council's need, inter alia, to secure £77m savings over the next three years.
62. The former officers involved in these meetings, have stated that a constantly reiterated theme at these meetings, was the need to protect refuse worker pay, of whom there were about 60. Refuse workers had some years previously had their bonus payments removed, but these were then consolidated in a recruitment and retention payment, worth up to £7,000 to each worker. Under job evaluation, such payments were no longer considered either lawful or sustainable, but removing this supplement would have resulted in a pay cut of around £7,000 per worker.
63. According to the former officers, reducing the pay of refuse workers, was unpalatable to Members, who repeatedly stressed that any such pay reduction, could result in strike action. As the new pay arrangements were to be implemented on April 1 2014, officers state that Members were concerned that any strike action might take place close to the date of the Council's May elections, which could be politically damaging. The imminence of the election should not in our view have been a relevant consideration in terms of determining pay.
64. The project team worked up a variety of models. On 14 October 2013, the then Director of Finance & Procurement emailed the SDoR, ahead of a key meeting to determine the final pay line, the next day. The least-cost option was termed the 'preferred option' in the email. Other options were outlined 'to create a solution for a group of 60 staff.' The then Director of Finance & Procurement has stated that this was a reference to the refuse staff, a small cohort, in comparison to the workforce as a whole. Various options were outlined to accommodate the refuse workers, which cost implications up to an additional £2m+ per annum, rising to £7.4m over five years. The then Director of Finance & Procurement warned that none of the options being considered to protect refuse worker pay were defensible or economically sustainable. This was reflected in his email to the SDoR which stated that the accountant doing the modelling 'can keep

going & going with alternatives but none of them from what I have seen, will be both justifiable and affordable.'

65. The former Director of HR has stated that she attended a meeting of a sub-group of the Chief Officer Group around this time. It was most probably on 15 October 2013, but it is not certain. The sub-group was a confidential meeting of core members of the Management team which was established by the former Chief Executive and was not minuted. There was a meeting on 15 October 2013 at 9.00 am, titled 'TU Pay Pre-meet-Officer side.' The required attendees included: the Chief Executive, SDoR, Director of HR, Pay & Reward Project Manager and the Strategic Director Neighbourhoods (who did not attend the meeting). There was also a meeting titled 'TU Pay Pre-meet with Members' at 11.00am on the same day.
66. The former Director of HR has stated that at the meeting, the Chief Executive instructed her to produce a pay model protecting refuse workers and that she had argued that this was not justifiable and would cost £3m more. She states that the Chief Executive left the room and reappeared with the Cabinet Member for Business, Finance and Democracy, who instructed her forcefully to action the option which protected refuse workers. She states that she complained afterwards to the Chief Executive and SDoR, but was told that the decision was a *fait accompli*. The Pay & Reward Project Manager has supported the Director of HR's account of the meeting but the Chief Executive refutes the account. The SDoR cannot recall the events described. The Cabinet Member for Business, Finance and Democracy denies the Director of HR's allegations, arguing that Members considered the needs of all staff and that the SDoR had given assurance that the adopted option was affordable. The TU Pay & Reward Pre-meeting is in her diary for 15 October 2013, but as it was a working day for her, she argues that it is not clear that she attended the meeting. The former Leader, who was not present at this meeting, was clear that he and other Members were determined to ensure that refuse workers were not disadvantaged, to avoid strike action, but was also keen to ensure that a living wage was paid to all workers.
67. Ultimately, a collective decision was taken by the Cabinet Members involved in the negotiations, with the agreement of the Chief Executive and SDoR, to adopt the option which protected refuse workers. To achieve this, a new criteria was introduced, which involved recognising additional pay-points for length of service. This was unusual, according to the HR professionals involved. Many refuse workers were long-serving staff, enabling them to be paid on the penultimate point of their recommended pay-scale, rather than on a lower-point, in line with the least-cost option. This reciprocally impacted on other groups of staff; so refuse collector pay went up by 25%; refuse driver pay by 58% and, care assistant pay, for instance, by 18%. Overall 60% of staff emerged as 'winners'. Staff would have eventually reached the higher pay scale point incrementally over time, but savings would have accrued in the earlier years, had the least-cost option been adopted. Subsequently, the work carried out by Hay has confirmed refuse worker pay at a level, similar to that described above.
68. It is legitimate for a Council to consider the impact of pay changes on key groups of workers. However, in this instance, the pay option chosen appears to have been influenced by political considerations which were never explicitly articulated. We have not located the minutes of any of these meetings, which means that the decisions reached lacked transparency. Accordingly, a major decision was taken at an informal, un-minuted meeting, rather than through a formally constituted committee. The decision was evidently reported orally to the Personnel Committee, which is also not good practice. There was no written recommendation regarding the approved pay

option, presented to Committee, nor any resolution recording its acceptance. The decision was therefore not approved in writing by any committee of the Council. This was not untypical of the way that some decisions were made at this time. That is, outside the constitution of the Council, through a variety of shadow structures which senior officers and politicians dipped in and out of. Given that this resulted in £3m in additional costs at a time that the Council was facing a £77m financial shortfall, the decision made, came at a cost.

### **Recommendations**

- 1 The Council should reinforce existing guidance about the proper role of Members, particularly concerning the need for Members to avoid involvement in detailed operational matters.**
- 2 The Council should consider reviewing its project procurement and monitoring systems to ensure that appropriate decisions are made regarding externally commissioned services and adequate monitoring of risks and delivery is undertaken.**

### **Webhelp**

69. Derby City Council established a £17.5m Regeneration Fund in 2010. Its purpose was to invest in property and other job attraction projects, to stimulate the City's office market and to create and retain jobs. The Fund's guidelines permitted investments by way of grants, loans, joint ventures, equity and debt finance. We are concerned that payments totalling £2m were made to HEROtsc from the Fund without proper legal advice having been sought as the lawfulness of the arrangement.
70. In 2010/11, a firm called HEROtsc which provided call centre services, was interested in acquiring a lease to expand its business. The firm wished to take an assignment of a lease on half of one of Citibank's two buildings on Pride Park, with the intention of servicing a new contract opportunity. An added attraction for the firm, was the fact that it would be able to acquire suitably skilled staff who chose to remain in the area following a re-location away from Derby by Barclaycard. This was of interest to the Council in terms of its regeneration strategy, particularly as HEROtsc's new contract involved the creation of 800 jobs, which would protect staff affected by the Barclaycard re-location. The Council was also concerned that Citibank had received an alternative offer for both premises on Pride Park, which did not safeguard the Barclaycard staff, and HEROtsc had alternative premise options to fall back on in other locations.
71. Accordingly a report was taken to Cabinet on October 18 2011 which sought approval for the use of Regeneration Fund monies to support HEROtsc's ambitions. This involved; according to the report:
  - HEROtsc taking on an assignment of the Citibank lease for one of Citibank's buildings (known as PB3) which would provide job opportunities for existing staff. This would cost HEROtsc significantly more than their original proposal to lease only half of PB3
  - the Council taking a variable and reducing sub-lease [on commercial terms] on half of the PB3 building, which would involve the Council taking a share in the risk and cost from HEROtsc of taking on a lease for the whole of PB3, thereby making it financially viable for HEROtsc

- the Council's costs would reduce as PB3 were progressively occupied (eg with the expansion of HEROtsc or by sub-letting to a third party).
72. The maximum potential cost to the Council, if the Council's proportion of the building remained un-let, was capped at £2.25m according to the report (comprising £0.5m per annum of support in Years 1-2 and £0.25m per annum in years 3-7). It was proposed that that this cost was met by the Regeneration Fund. The report noted that this represented a cost of about £3.2k per job saved or created.
73. The report also noted that external legal consultants had been engaged by the Council to advise on the legal implications of the proposal. The report noted in particular :
- '2.1 The Council have power under Section 2 (1) Local Government Act 2000 to do anything which it considers likely to achieve the promotion of improvement of the economic or social well-being of their area which includes giving power to give financial assistance.
- 2.2 External legal consultants... have been engaged to ensure that the Council has the capacity to respond rapidly to this initiative. They will advise on the legal implications of this proposal (including Vires and State Aid) prior to entering into contracts. Initial indications, however, are that the Council has the Vires to enter into this contract (see above [ie paragraph 2.1] and that there are no State Aid implications.'
74. The report was approved by the former Director of Legal and Democratic Services, prior to its submission to Cabinet. Cabinet considered the report and a contract was entered into with HEROtsc. Another firm of legal advisers had been advising the Council prior to this and had specifically advised that European State Aid rules would be an issue for Regeneration Fund projects, given their potential to distort the market.
75. However it does not appear that additional legal advice was secured in relation to the vires and state aid issues as the report promised. The only advice which appears to have been received in relation to these matters, was a relatively brief email from the external lawyers to the Council's Chief Conveyancer (Legal Services) on 29 November 2011. This set out general principles to be taken account of when considering whether the European State Aid rules applied to particular projects or not. The email did not however provide any specific advice in relation to the circumstances pertaining to the proposed payments to HEROtsc. The Council's principal lawyer, much later in 2015, concluded that the intention set out in the October 2011 Cabinet report, to obtain legal advice, was not actioned. She also concluded that the Council's decision to enter into this contract 'could be construed as illegal state aid' and that a retrospective review of this decision could not identify any valid legal exemptions that would allow state aid to be provided in this way.
76. The Director of Regeneration led the project, reporting to the then Chief Executive, who had overall responsibility for Regeneration. The former argues that it was the responsibility of the Council's Legal Services department to respond to legal issues. He considers that the HEROtsc arrangement was state-aid compliant, as it related to a property issue, at open market rates, and that this was the view of the Council's Legal Services department. He also states that the Council had received advice from external legal advisers but no legal issues were raised with him by the Council's Legal Services department, in relation to this advice. We have been unable to locate any specific written advice from the external legal advisers.

77. The former Director of Legal and Democratic Services, has stated to us that he did not see any legal advice at the time personally, but that both he and the former Chief Conveyancer, would have expected the external legal advisers to have raised state aid as an issue with the Council, had they considered there to be any legal doubts. Such a negative form of assurance was however not the explicit legal assurance that the report to Cabinet of October 2011 had promised, nor was it appropriate under the circumstances.
78. Herotsc was subsequently acquired by a company called Webhelp in 2012. The Council paid out £1m in support to the company over Years 1 and 2 in accordance with the contract. In June 2013, Webhelp approached the Council with a potential contract that would have led to the occupation of the vacant half of the building and the creation of 350 jobs. The company estimated that the balance of the Council's financial exposure under the leasehold arrangement on the vacant building was approximately £1.5m (lease and service charges). Webhelp suggested that it would release the Council from its on-going financial obligations if it were to make an up-front payment, which would assist the company in reducing its future overheads as well as enhancing its prospects in competing for a large-scale contract let by EE. The Council agreed to a rent-free period.
79. This contract opportunity did not come to fruition but subsequently in March 2014 the company confirmed that it had been short-listed for a contract, again with EE, which would create 350 jobs. It requested assistance on the same basis that it had sought in June 2013. In March 2014, a short discussion took place between Webhelp and senior Council officers (Head of Regeneration Projects, Director of Regeneration and by telephone with the Chief Executive). As a result of winning the new contract, Webhelp now wished to occupy the part of the building covered by the Under lease. It was seeking a surrender of the Under lease plus commercial terms. In an email from the Head of Regeneration Projects to Webhelp dated 18 March 2014, the Head of Regeneration stated:

'Thanks...-I understand that [the Derby Chief Executive] was happy with the call.

We're happy to proceed along the lines we discussed and outlined in your email namely:

DCC surrender the existing lease based on:

-a payment of £750k paid in 3 tranches (July 14, April 14, April 15) ;

-£750k is the total capped cost to DCC;

-an arrangement is reached (either side letter or part of this) regarding recovery of the £750k on a pro-rata basis should the [c400 jobs] not last 3 yrs.

When do you anticipate knowing that you wish to proceed?'

80. The Head of Regeneration Projects, on the authority of the Chief Executive and Director of Regeneration, had effectively made an offer without the involvement of the Council's Legal Services at any stage. The email should have been caveated by including the words 'subject to Cabinet approval' and 'subject to contract.' The Head of Regeneration Projects accepts that this was an error. It is however concerning that the Council's Chief Executive, along with the Director of Regeneration, were involved in negotiations,

without at any stage having gained any assurance, or solicited the involvement of, the Council's internal legal advisers.

81. The Chief Executive subsequently announced the Webhelp deal publically at a Derby property summit on 11 June 2014. This was an error of judgment. The Council had not followed its own Regeneration Fund application process in considering financial assistance. The Director of Regeneration has stated that this was because he considered that the Council was already in contract with Webhelp and that further reports were not required. He has also stated that negotiations were undertaken under the direction and agreement of the Council's Chief Executive and former Leader.
82. Legal Services became aware of the proposed Under lease surrender and a Principal Solicitor prepared a confidential note for the Monitoring Officer on 20 June 2014. This noted that the original transaction of 2011 raised European State Aid concerns, 'the entering into an Under lease of a property for which there was no obvious Council requirement concerned with the payment of the significant service charge could amount to illegal State Aid.' As regards the proposed payment of £750,000 in relation to the surrender of the Under lease, the Principal Solicitor concluded that there was no legal basis to, or requirement to make, any payment to Webhelp, where the latter required the Council to surrender occupation of the property. She also concluded that such a payment could flout European State Aid rules, although it was not possible to form a definitive view on this.
83. The Chief Executive has stated that this was the first time that he was aware of there being any legal issues and that he relied upon his Regeneration team to follow up such matters. Following subsequent discussions between the Principal Solicitor and the Regeneration team, alternative ways of supporting the company were identified, through the provision of financial assistance to help off-set the company's additional training costs of up to £750k in total, which the Council considered acceptable under State Aid block arrangements. The alternative solution identified was only possible due to changes to State Aid rules which came into effect in July 2014. Otherwise, the Council would have been unable to lawfully identify alternate ways to support the company.
84. Looking back, there is substantial evidence during the project of regular correspondence between the Director of Regeneration, the Chief Executive and the former Leader of the Council regarding authorisation and approval of decisions made. Discussions were also held at Leader's briefings. There is also evidence of regular Regeneration Fund meetings from 2010 onwards. However there was little effective communication with the Council's Legal Services department. This put the Council at risk, as a multi-million pound contract had been entered into, to support a local company without any legal advice having been sought as to its lawfulness. It was the duty of the Chief Executive, as the strategic lead for Regeneration, and the Director of Regeneration as project lead, to ensure that the legal advice was obtained and acted on, in accordance with the Cabinet report requirement of 2011. They failed in this duty.
85. Subsequently the Chief Executive instigated an internal investigation into the conduct of the project which was finalised in August 2014. The Chief Executive did not progress the matter further and left the Council in January 2015. This prompted the interim Chief Executive, appointed in February 2015, to commission a preliminary disciplinary investigation into the conduct of the Director of Regeneration. The Director of Regeneration did not hear anything more until March 2015 when he saw the draft of the report which recommended that there was a disciplinary case to answer in relation

to the conduct of both the former Chief Executive and the Director of Regeneration. The Director of Regeneration left the Council in December 2015 and at that point had still not heard the outcome of the further stage of the disciplinary process, some 18 months after the first Internal Audit report on the process had been produced. In January 2016, the disciplinary process was finally concluded. No further action was taken against the Director of Regeneration. The investigating officer concluded:

'In relation to the HEROtsc deal, there were assumptions made by the [former Director of Legal & Democratic Services] and the [Director of Regeneration] that legal advice had been obtained from [the external legal consultants] and that any concerns would be brought to their attention. In hindsight they both form the view that the legal advice obtained was too generic, but there appeared to be no system in place at the time for assuring themselves since they were reliant on being told by their senior staff. What is clear is the decisions made about the transaction with HEROtsc and Webhelp were not made in a vacuum, and ultimately responsibility sat with the Leaders of the Council at the time of the HEROtsc and Webhelp deals, and former Chief Executive who were pushing the deals forward with pace. There is no doubt that supporting both HEROtsc and Webhelp was positive for the City in terms of saving jobs and promoting Derby's economic regeneration.

There are clear process failings in relation to the principles of good governance and adherence to the Council's constitution in both the HEROtsc and Webhelp transactions.'

86. We concur with the judgment reached here. The Webhelp project had positive outcomes for the City, and served to create and save jobs. Webhelp has also stressed that it had no influence or involvement in the internal decision-making of the Council. But there were clear failings in governance in the way that decisions were taken and insufficient attention was paid to ensuring that the basis for the project was lawful. We accept that decisions sometimes have to be made at pace, but cutting corners in this way exposed the Council to considerable risk.

## Recommendations

- 3 The Council should ensure that appropriate internal or external legal advice is sought in relations to contracts, particularly where a large-scale project or initiative is contemplated.**
- 4 The Council should ensure that all legal advice is commissioned by the Council's Chief Legal Officer or her staff. Departments should not commission legal advice direct.**

## Taxi Licensing

87. We have received a number of allegations as part of our investigation. One of these related to the operation of the Taxi Licensing Sub Committee. The importance of strong governance arrangements in this function, was highlighted in the Louise Casey report (February 2015) at Rotherham Borough Council, which identified links between child sexual exploitation and the taxi trade in the Rotherham area. The report identified a number of serious governance failings, inter alia, in relation to the processes to ensure that only 'fit and proper persons' are permitted to hold a taxi licence. Louise Casey

recommended to Central Government that all councils should be audited against the findings set out in her report. We are concerned that the Council's arrangements in this respect, had substantial weaknesses and that further progress may be required.

88. We interviewed officers involved in taxi licensing and the operation of the Sub-Committee, regarding the adequacy of governance arrangements. They stated to us that some Members in the past, have lobbied on behalf of individual drivers, in order, to influence decisions regarding the granting of licences and other matters. Such lobbying still occurs, but on a much reduced scale, and officers are now more actively challenging inappropriate behaviour. This has not resulted in any improper changes to decision-making, but this has not been a healthy culture, in our view. A number of Members sitting on the Licensing Sub Committee hold taxi licences or have worked as taxi drivers in the past and maintain a close link to the taxi trade.
89. Of greater concern has been the quality of the decision-making of the Sub Committee and its panels, in relation to the granting of driver licences. Officers have stated to us that they were concerned that some drivers had sought to manipulate the panels that they appeared before, in order to achieve a more favourable outcome. This is not possible now, due to changes in the timing and organisation of the panels. However it is clear that poor decisions have been reached in a significant minority of cases. The panels generally consider 70-100 applications a year. Officers have stated to us, that on occasion, it was clear that Members knew the applicants on some panels and were keen to draw out the impact of withholding a licence on the applicants' livelihoods. This exhibited a lack of understanding of their roles as Committee Members in our view.
90. The Council decided to review the adequacy of the governance arrangements relating to the Taxi Licensing function in July 2015, in the wake of the Louise Casey report. In reviewing the adequacy of decision-making relating to the Licensing function, the Council's officers produced five case studies, of what were considered to be poor decisions, to aid Member training. These all related to panels convened between 2012 and 2015. The case studies, demonstrate that Members did not adequately consider in these examples, the qualities required of a 'fit and proper person' to hold a taxi licence. The details of two of the five cases shows that licences were approved in respect of individuals who clearly did not pass the 'fit and proper' test and to whom, therefore, licenses should not have been granted. The details are set out below.

<b>Taxi Licensing - Case Studies</b>
<i>Case Study 1</i>
<p>Mr A appeared before the Licensing sub-committee in 2015. His licence was revoked in 2012. Previous convictions considered:</p> <ul style="list-style-type: none"> <li>• Fraudulent use of vehicle excise licence 1999 –Fine and costs</li> <li>• Failure to comply with traffic light signals 2006 – Fixed penalty + points</li> <li>• Using vehicle with defective tyres – Fixed penalty + points</li> <li>• 4 'hate crime' offences of publishing material which is threatening intending to stir up religious/sexual hatred 2011 (sentenced 2012) – 4 x imprisonment for 2 years (concurrent)</li> </ul> <p><b>Outcome:</b> new application approved</p>
<i>Case Study 2</i>

Mr H appeared before the sub-committee in 2013. Convictions considered:

- Using a mobile phone whilst driving 2010 – penalty points
- Failing to surrender custody at appointed time 2011 – Fine
- Theft from person 2011 – imprisoned 42 days
- Failure to comply with Community Order 2011 – re-sentenced
- Battery- imprisonment 4 months concurrent
- Possession of class A drugs (heroin) with intent to supply – imprisonment 2 years
- Possession of class A drugs (crack cocaine) with intent to supply – imprisonment 2 years concurrent
- All above 2011 but sentenced 2012
- Theft of vehicle 2011 – imprisonment 6 months concurrent
- Failure to surrender custody 2011 – imprisonment 2 months concurrent

Outcome: Mr H's application was approved subject to annual drug testing. [Mr H however never collected his licence as he was convicted and sent down for further drug trafficking offences]

91. Amongst the details relating to the other three driver applications is evidence of concerns relating to : one driver having made improper comments to young vulnerable females; one driver who had been subject to four police notices regarding harassment and intimidation of family members and another driver who had received warning letters regard abusive behaviour towards customers and had also been the subject of a police warning in relation to a threat to kill his ex-wife. That such individuals could be either granted a licence or evade any significant sanction (bar in one case a verbal warning) by the Sub Committee's panels is concerning.
92. The Council took a proactive approach by taking a report on the taxi licensing administration system to the Licensing Committee on 2 July 2015. This identified potential weaknesses and governance and made a number of recommendations to strengthen arrangements, including:
  - re-introducing officer recommendations to the sub-committee
  - increasing the number of Members on the sub-committee from three to five
  - changes to the Member Code of Conduct to restrict Members making representations on behalf of the trade or individual drivers at Sub-Committee hearings
  - revision of the Sub-Committee guidelines; and
  - a review of existing driver licences and approvals
93. The Council's taxi licensing officers now maintain a record of contacts with Members. This shows that some Members have not always acted appropriately. For instance on 21 January 2016, a licensing officer recorded that he met with the vehicle proprietor of a licensed private hire vehicle, known not to comply with licence conditions. The vehicle proprietor was accompanied by another male and by one of the Members for the Arboretum ward (who serves on the Integrating Communities and Inspiring Young People Boards). The Member involved himself in the discussion and the officer recorded that 'My impression was that [the Member] was expressing disagreement or

dissatisfaction with the licence condition relating to vehicle signage and the fact that I was enforcing it in relation to the vehicle in question.' The Member made other suggestions which were not supportive. The Member has stated that he was trying to be helpful. Whilst we accept that the Member had no improper intentions, his interventions, were perceived by the officer as being unhelpful. The Council needs to reinforce guidance to Members to avoid such direct involvement.

94. The Member Contact records also note for instance, numerous email requests from Members, asking for officers to chase up progress on processing taxi driver DBS (Disclosure and Barring service) checks. Officers responded that drivers had been written to in August 2015 reminding them of the need for a new DBS, but many submitted applications late. Nothing could be done as the Derbyshire Constabulary had instructed the Council not to make contact until the DBS had been with it for six weeks. The volume and tone of correspondence from Members regarding this matter, does not indicate a strong understanding of the Council's duties. The Council's key duty is to protect citizens, which the DBS checks supports.
95. Changes made by the Council following the July 2015 report were intended to reduce the possibility of such poor decision-making. Licensing officers have stated to us that whilst performance has improved, a decision-making process involving hearings, inherently has a degree of subjectivity. The statistics for the first six months of 2015/16 show that of seventeen decisions taken, eleven agreed with the officer recommendation, six did not. Disagreement with an officer recommendation may be for a perfectly valid reason. The Council should review decisions made in the last 12 months to ascertain whether further action is required.
96. The Licensing function has not always had strong Member committee leadership which has supported good governance. For instance, the measures introduced by the Council to enable it to respond to changes in the law relating to background checks ('DBS checks') and licence renewal periods, have been challenged by the Chair of the Licensing Sub Committee, following lobbying by the taxi community. On 1 October 2015, the Council implemented a new set of driver licensing requirements necessary to meet the revised legislation introducing a 3-year licenses for hackney carriage and private hire vehicle drivers. The main changes were:
  - a new DBS to coincide with the start of every three year licence
  - a new medical report to start with the start of every 3 year licence
  - a requirement to sign up to the on-line DBS update service
97. At a meeting of the Licensing Committee on 19 October 2015, a report on possible interim arrangements to alleviate issues relating to late DBS submission was voted down by the Committee. This would have involved a statutory declaration in lieu of receiving a new DBS certificate, which would not have been satisfactory. This met with protests and demonstrations from the taxi trade locally. The Chair of the Licensing Committee subsequently determined to submit a paper to the Licensing Committee on 21 January 2016, asking for a reconsideration of the options rejected by the Committee on 19 October 2015. It is concerning, that the Chair of the Committee sought to overturn a majority decision which was intended to safeguard citizens. The report was withdrawn at the Chief Executive's insistence, on the grounds that it introduced irrelevant considerations, by citing the economic circumstances of individual drivers affected.

98. It is important that the Council ensures that the changes made to minimise inappropriate interventions and to improve the quality of decision-making, are being robustly implemented. The Council should review progress and if not deemed satisfactory, it could consider more radical alternatives, such as holding panels in public, or making the licensing function a purely administrative arrangement, as some councils have done. An administrative arrangement is often associated with a points-based system which builds in a greater degree of objectivity.

## Recommendations

- 5 The Council should ensure that it continues to monitor Member interventions in operational matters relating to taxi licensing, and takes robust action when Members have exceeded their proper role.**
- 6 The Council should review the quality of decision-making by the taxi-licensing Committee and take appropriate action if it becomes evident that poor decisions are being made by the Committee.**
- 7 The Council should consider, whether different administrative arrangements, are required to create confidence in the integrity of the taxi-licensing function.**

## HRIS Payroll Project

99. Derby City Council commenced the implementation of a new computerised payroll system ('HRIS') in 2012. It was intended to upgrade the Council's Human Resources information systems. The project was planned to be implemented in three phases; involving:
- Phase 1: the implementation of a payroll system
  - Phase 2: work on learning and development, health and safety, HR casework and recruitment models; and
  - Phase 3: involving a 'self-service' system for employee and manager access
100. Phases 1 and 2 were intended to be implemented in 2013, with Phase 3 being implemented in 2014/15. As it transpired, Phase 1 was implemented in April 2014 but further work was required to link the payroll system with the Council's financial reporting systems more effectively.
101. Consultants were appointed in September 2012 to provide the new system and a capital budget of £2.343m was provided for the project. The project appears to have been poorly managed internally, arising in part from tensions within the project team, which necessitated the commissioning of additional support (via the waivers) from the consultants. During Phase 1, additional assistance was required from the consultants, due to there being insufficient internal resources to progress this project. As a result, four contract waivers were made during May 2013 and May 2014 in respect of the additional assistance required. These were as follows:
- May 2013: £80,325

- October 2013: £81,600
- February 2014: £20,000
- May 2014: £107,950

102. The Council's Contract Procedure Rules specify (at Section 1, Paragraph 6) that waivers to the Rules may 'in exceptional circumstances be granted by Cabinet or, in cases of urgency by the relevant Director and either the Head of Legal and Democratic Services or the Head of Procurement.' The Rules also require that all waiver approvals must be reported on a quarterly basis by the Head of Procurement to the Council's Audit & Accounts Committee.

103. Two of the four waivers were reported to the Accounts & Audit Committee but two were not. They were not approved by Cabinet as they were considered urgent. In relation to three of the four waivers, we understand that discussions about the need for additional resources took place approximately a month before the waivers were finally signed.

104. In relation to the waiver signed on 23 May 2013, the need for additional resources was agreed by the HRIS Project Board, which the SDoR chaired. However this was for £64,175 (75.5 days) rather than the finally agreed £80,325 (94.5 days). In relation to the waiver signed on 31 October 2013, a draft waiver was signed by the then Resources Programme Manager on 15 August 2013, for an additional £42,500 (50 days) rather than the finally agreed £81,600 (96 days). The draft was circulated as an attachment to an email which was copied into the SDoR 'to alert you that it may appear early next week for approval.' At a further monitoring board meeting (the so-called 'Keep in Touch' meetings), attended by the SDoR on 10 October 2013, it was agreed to extend the additional consultancy requirement to a maximum of 96 days. A waiver in that sum was signed by the SDoR on 31 October 2013.

105. In relation to the other two waivers, no supporting documentation has been identified by the Council in respect of the waiver in the sum of £20,000 signed on 11 February 2014. In relation to the waiver signed on 8 May 2014, the then Resources Programme Manager sent an email to the Director of HR and SDoR on 3 April 2014 requiring additional consultancy input of £108,000 (127 days). A draft waiver was produced by the then Resources Programme Manager on 2 May 2014 and sent to the SDoR.

106. On 21 May 2014, the SDoR sent an email to members of the Audit & Accounts Committee, following, we understand, a request regarding the amounts paid to date to the consultants. The email included the following summary:

'I promised you an update note..I thought it appropriate to wait until the successful roll out of phase 1 (the payroll element) of the system before I responded. I am happy to report the complete success of the implementation... In order to effectively manage our external consultants on this project, it is sensible to appropriate consultancy services on a piecemeal basis. This is more preferable than committing to a potentially higher spend upfront with degrees of uncertainty as to whether those resources would be needed. This is also important to ensure you effectively manage the input from external consultants, whilst building up the expertise in the in-house team. To that end, I have periodically approved contract waivers each time (the consultants) resources have been clearly identified as needed as opposed to using our own internal team. To date we have

spent and committed [consultant] resources of £490, 025 which have so far enabled us to successfully implement Phase 1 of our new iTrent system.'

107. The sum reported appears to be an error, as the amounts covered by the waivers amounted to £515,125. The handling of the waivers by the SDoR was unsatisfactory. It does not appear that the need for the services was urgent at any point given that discussions were held a month in advance of the waivers being granted. Accordingly they should have been reported to Cabinet in accordance with the Council's Contract Procedure Rules. The SDoR considers that the waivers were urgent and has stated that the reason for the waivers was the lack of preparedness of the payroll team and over-optimistic estimates of their capabilities and capacity. In that regard, the Director of HR was the Responsible Officer for the project, but in practice she has stated that her involvement was limited.
108. Ultimately it was the responsibility of the Council's Head of Procurement to report the waivers to the Accounts and Audit Committee. However the SDoR who regularly attended that Committee, ought to have been aware that not all the waivers had been reported, given the prominence of the project.
109. The SDoR has argued that his actions helped avoid a 'catastrophic failure in the payroll system implementation' and he confidently asserted in his email to the Accounts and Audit Committee of 22 May 2014, that Phase 1 of the project had been 'successfully implemented.' This did not quite reflect reality, although the SDoR's involvement injected momentum into a flagging process. Whilst all staff got paid after the implementation of the new payroll system, which was the most important requirement of any new pay system, the implementation experienced a number of teething problems. Specifically, concerns were first raised by Finance staff in August 2013, that for instance, NI and Superannuation coding was not reflected accurately in the pay files received from the consultants.
110. The Group Accountant continued to express concerns throughout the project about aspects of coding relating to the pay files, and even following the 'go live' date, there were difficulties experienced in reconciling the overall pay information to the Council's financial ledger, relating to issues such as maternity leave. The differences were low, and not material but this remains an issue. As a result, the original 'go live' date for phase 1 (payroll) was planned for June 2013 and eventually went live in October 2013 on the smaller payrolls, followed by Derby City Council payroll in April 2014.
111. It is important that the Council institutes proper project management arrangements in relation to all large scale internal and external projects, to ensure, inter alia, that the need for additional external resources are minimised, and where necessary, are subject to proper authorisation procedures.

## **Recommendations**

- 8 The Council should ensure that it reinforces the need for officers to observe the Council's Contract Procedure Rules, particularly the requirements to report all waivers to the Council's Accounts & Audit Committee.**
- 9 The Council should ensure that it puts in place robust project management arrangements for all major projects, including appropriate consideration of the internal and external resources required to enable effective implementation.**

## Overall Governance of the Council: Member and Officer Arrangements

112. A new Leader has been in place from summer 2014 and a new management team from February 2015. They are committed to balancing the medium-term financial situation and have recognised that a more robust approach to governance is required. The current Leader, has told us that the Council has failed in the past to make tough decisions, particularly relating to the need to consider difficult options to balance the budget in the longer term. In that respect the Council now has a three year medium-term financial plan, whereas it previously had a one-year financial plan.
113. However, whilst progress made recently is positive, we consider that not all Members at Derby City Council, are clear about the proper boundaries between officer and Member roles. This has led, for instance, to the inappropriate involvement of Members in the operational delivery of the Licensing function outlined above. We consider that Members were also involved at the wrong level in decision-making regarding the pay model to be adopted in October 2013 as part of the Job Evaluation exercise.
114. The Council wants to learn the lessons of past governance failures. The renewed focus on governance is to be welcomed and is being championed by the Chief Executive, Monitoring Officer and the s151 Officer. However there are some more workaday aspects of political governance, which still need to be addressed. For instance, Cabinet, which is a central plank in the Council's formal constitution, meets once a month. For the last two to three years, in between formal Cabinet meetings, a political Cabinet termed PCCM has met weekly to consider broad policy options and to receive reports from officers. PCCM however is not a formally constituted committee of the Council.
115. Whilst it is perfectly normal for political groups to meet regularly, it is less usual for the ruling political group to invite officers to attend those meetings to present operational or policy reports. A number of officers have told us that they are confused about the role and purpose of PCCM. They are not clear whether it is a decision-making body of the Council. PCCM is not a properly constituted committee of the Council and it has no decision-making function under the Council's constitution. Not all officers (particularly junior officers) and Members attending PCCM appear to understand this point.
116. We have been told that most matters referred to PCCM for discussion with officers, have resulted in papers which were subsequently taken for approval to Cabinet, say, or Full Council. There have been exceptions however. For instance, a paper was taken to PCCM in November 2015 with a recommendation to re-instate CCTV cameras which had been previously withdrawn. This was agreed and about to be actioned, when the Council's Legal officers intervened to insist that a report be prepared for formal ratification. This resulted in the adoption of a properly taken decision in accordance with the Council's constitution. This suggests however the need for written guidance so that both officers and Members are clear on the proper role of PCCM. We understand that guidance notes are now being prepared for all officers.
117. Other arrangements adopted by the Council have led to a blurring of lines. Leadership meetings attended by the Leader and key strategic officers have been held outside the Council's formal constitutional structures for a number of years. These have often been attended by the local Political Agent. He also attends many of the PCCM meetings. As he is neither an officer nor Member of the Council, he has no locus within the Council's constitutional arrangements, to attend meetings with officers present, where Council business is discussed and transacted. There are also data protection and confidentiality implications; particularly as the Agent attends meetings where Council documents are

discussed, which he has no rights under the Council's constitutions to view. This arrangement needs to be regularised. We understand that more recently, the Political Agent has ceased to attend meetings when officers are present.

118. The overall political culture of the Council has been fractious for a number of years. This is attributable to the behaviour of a minority of Members across the political spectrum. It is in the nature of local democracy, that political views are strongly held and contested. However at Derby, this has become unbalanced. After the September 2015 Full Council meeting, there were seven references to the Standards Committee, which consisted mainly of complaints by Members about each other's conduct. This appears to be part of a process whereby the Standards Committee is being used as a vehicle for political point scoring. This not only places an unnecessary burden on the officers who have to respond to each complaint, by preparing appropriate reports and documentation for the Standards Committee, but also risks besmirching the reputation of the Council and its political representatives.
119. The breakdown in trust amongst political groups means that opposition parties have not been willing to put forward Members to sit on the Standards Committee. Although the Committee includes Independent Members, the only Members who have sat on the Committee in recent years have been from the ruling group. We understand that opposition Members are concerned that the ruling administration has the majority of Members on the Committee. Whilst this is in accordance with the proportionality rules within which the Council operates, it does not create wider confidence in the integrity of its operation. The Conservative group has however recently nominated a Member to sit on the Standards Committee, which should strengthen confidence in its operation. We are also satisfied that the Monitoring Officer has acted proactively in response to all complaints received in respect of Standards.
120. There is an emergent culture where allegations and complaints appear to have become part of the mainstream political discourse. For instance, the former Conservative Leader has been subject to a Standards Board reference, having admitted to having conveyed the content of a confidential email to local media and other individuals in the public domain. He has stated that this was done in error. The Monitoring Officer referred the issue to the local Clerk of Justices, given that the former Conservative Leader is a serving magistrate. The latter in turn raised a complaint against the Monitoring Officer, which necessitated an investigation into the conduct of the Monitoring Officer by a barrister. The Monitoring Officer was wholly exonerated by the barrister's investigation. The Standards Committee has found that the former Conservative Leader's conduct in leaking confidential information was culpable. The complaint against the Monitoring Officer was therefore unwarranted and led to additional cost to the Council.
121. We accept, despite the above failings, that officers and Members now accord a greater priority to good governance. Many officers we interviewed referred to a previous culture of not reporting bad news. The Council used a traffic light system to report risks. Officers said that there was previously a pressure to report 'only greens' to Members. The former Chief Executive stated to us that he always encouraged honest reporting but wanted officers to come up with solutions rather than problems. It appears however that there was pressure to manage messaging in an overly positive manner. We were told that the Chief Officer Group, considered reports, on a number of occasions, which were then 'sanitised' before onward transmission to the relevant

committee, for instance before being forwarded to the Accounts & Audit Committee. This may have contributed to officers not always reporting emerging risks, which was characteristic of the Job Evaluation and the HRIS projects. This meant that the Council learnt about significant issues too late in the day.

122. Putting the best gloss on things, was linked to a culture of pursuing awards. For instance, within nine months of the Council being awarded the national Management Team of the Year award in 2014 by a national periodical, the Management Team was a shadow of itself, with nearly half of its key players having either been suspended or having left the Council. The unity of the team was superficial, which disguised an underlying dysfunctionality. Key pre-budget discussions, for instance, frequently involved the Chief Executive, the SDoR and the then Deputy Chief Executive, but excluded the Directors with the responsibility for the largest budget portfolios- Education and Social Care & Housing. The then Deputy Chief Executive was concerned about this, as were the excluded Directors. We observe a greater coherence of purpose in the new Management Team.
123. Holding back bad news or putting a gloss on appearances, inhibited transparency of reporting and decision-making. The development of a series of shadow structures, including a sub-group of the Management Team, exacerbated this. The sub-group met periodically in the recent past, to discuss sensitive or challenging issues, but as these meetings were not always minuted, they lacked transparency. These sub-group meetings have now ceased. One of the strengths of the Council is its can-do attitude. However this was occasionally achieved by cutting corners as was noted above in relation to the Web Help project.
124. The officer culture has strengthened in the last 12 months, in our view, with a greater emphasis on good governance. The management team has also been in our view more assertive in insisting on good governance, but further action may be needed to ensure that both officers and Members understand their proper role boundaries and to regularise the operation and understanding of structures such as PCCM, and the involvement of the political agent.

## **Recommendations**

- 10 The Council should ensure that clear guidance is issued regarding the operation of the political Cabinet (PCCM), to ensure that both officers and Members understand that it is not a constituted committee of the Council and has no authority to make decisions. It should also consider whether it is appropriate for officers to attend PCCM.**
- 11 The Council should develop guidance to ensure that persons who are not Members or officers do not attend Council meetings or access restricted papers, unless there are exceptional reasons why this is appropriate and a formal invitation has been extended to them.**
- 12 Strategic Officers should be issued with clear guidance requiring them to report key strategic, legal and operational risks to the Corporate Management Team, to the Monitoring Officer as appropriate, and to Cabinet, in a timely manner.**

## Appendix 1: Recommendations Requiring a Public Response

### Job Evaluation

- 1 The Council should reinforce existing guidance about the proper role of Members, particularly concerning the need for Members to avoid involvement in detailed operational matters.
- 2 The Council should consider reviewing its project procurement and monitoring systems to ensure that appropriate decisions are made regarding externally commissioned services and adequate monitoring of risks and delivery is undertaken.

### Web Help

- 3 The Council should ensure that appropriate internal or external legal advice is sought in relations to contracts, particularly where a large-scale project or initiative is contemplated.
- 4 The Council should ensure that all legal advice is commissioned through the Council's Chief Legal Officer or her staff. Departments should not commission legal advice direct.

### Taxi Licensing

- 5 The Council should ensure that it continues to monitor Member interventions in operational matters relating to taxi licensing, and takes robust action when Members have exceeded their proper role.
- 6 The Council should review the quality of decision-making by the taxi-licensing Committee and take appropriate action if it becomes evident that poor decisions are being made by the Committee.
- 7 The Council should consider, whether different administrative arrangements, are required to create confidence in the integrity of the taxi-licensing function.

### HRIS Payroll Project

- 8 The Council should ensure that it reinforces the need for officers to observe the Council's Contract Procedure Rules, particularly the requirements to report all waivers to the Council's Accounts & Audit Committee.
- 9 The Council should ensure that it puts in place robust project management arrangements for all major projects, including appropriate consideration of the internal and external resources required to enable effective implementation.

### Political and Officer Arrangements

- 10 The Council should ensure that clear guidance is issued regarding the operation of the political Cabinet (PCCM), to ensure that both officers and Members understand that it is not a constituted committee of the Council and has no authority to make decisions. It should also consider whether it is appropriate for officers to attend PCCM.

- 11 The Council should develop guidance to ensure that persons who are not Members or officers do not attend Council meetings or access restricted papers, unless there are exceptional reasons why this is appropriate and a formal invitation has been extended to them.**
  
- 12 Strategic Officers should be issued with clear guidance requiring them to report key strategic, legal and operational risks to the Corporate Management Team, to the Monitoring Officer as appropriate, and to Cabinet, in a timely manner.**



© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms which are not responsible for the services or activities



**Grant Thornton**

An instinct for growth™

does not provide