



COUNCIL – 19TH JULY 2016

SUBJECT: INTERNAL INVESTIGATION OF SENIOR OFFICERS – ADDITIONAL FINANCIAL PROVISION

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To seek Council approval of additional financial provisions in relation to the ongoing internal investigation of three Senior Officers.

2. SUMMARY

- 2.1 The report sets out the need for further financial provisions to ensure that sufficient funding is set-aside to meet costs associated with the ongoing internal investigation of three Senior Officers.

3. LINKS TO STRATEGY

- 3.1 As a part of prudent financial management the Council is required to set-aside funding to meet its liabilities.

4. THE REPORT

- 4.1 Members will be aware of the current interim arrangements in place within the Authority arising from the ongoing internal investigation of three Senior Officers.
- 4.2 There are revenue budgets established for the posts of Chief Executive, Director of Corporate Services and Head of Legal Services/Monitoring Officer and the postholders currently fulfilling these duties on an interim basis are funded from these revenue budgets.
- 4.3 Members will recall that the additional costs associated with the three Senior Officers have been funded from a provision established using General Fund reserves as approved by Council. At its meeting on the 9th June 2015 Council approved a further provision of £278k to cover the anticipated salary costs of the three Senior Officers to the 31st August 2016.
- 4.4 Members will also recall that an Investigating & Disciplinary Committee was established in 2013 and an independent investigator was engaged from Blake Morgan LLP. However, this independent investigation was put on hold at the request of the police due to the ongoing Criminal Proceedings.

- 4.5 Members will be aware that the Criminal Proceedings against the three Senior Officers were dismissed in October 2015 and the Authority is now progressing internal investigations in accordance with the Council's approved procedures and statutory requirements.
- 4.6 These procedures must be conducted fairly and thoroughly in accordance with the statutory process over which we have no discretion. It is therefore now necessary to review the current financial provision to ensure that sufficient additional funding is set-aside to meet the salary costs of the three Senior Officers during the ongoing investigation process.
- 4.7 It is recommended that a further provision of £282k should be established from General Fund balances to cover the period 1st September 2016 to the 31st March 2017. This will ensure that sufficient funding is available to meet the salary costs of the three Senior Officers if the investigation process is not concluded during the 2016/17 financial year.
- 4.8 In addition to the salary costs of the three Senior Officers, legal costs are also being incurred as part of the ongoing investigation process. Due to the specialist nature of the investigation process and as one of the three Senior Officers is the Head of Legal Services & Monitoring Officer, it is clearly not possible for anyone from the Council's own Legal Team to provide the advice and support that would normally be provided. Consequently, the services of external legal advisors have been required.
- 4.9 At its meeting on the 23rd May 2016 the Investigating & Disciplinary Committee was provided with an update on legal costs. During the 2015/16 financial year actual net legal costs of £71k were incurred for the period following the dismissal of the Criminal Proceedings in October 2015 to the 31st March 2016. These costs were funded from the 2015/16 revenue budget for Counsel Fees. However, this position is not sustainable as we move forward so it is now necessary to consider establishing an additional financial provision in relation to ongoing legal costs.
- 4.10 Actual legal costs of £56k have already been incurred in 2016/17 to the end of May 2016. In the event that matters are not concluded during the current financial year it is anticipated that the full-year costs could be in the region of £220k. It is therefore recommended that a further provision of £220k should be established to meet potential legal costs for the period 1st April 2016 to the 31st March 2017.
- 4.11 The financial provision for the salaries of the three Senior Officers and for legal costs will need to be reviewed again in early 2017 if it is anticipated at that time that the investigation process will not be concluded in the current financial year. An earlier report may be necessary if legal costs are higher than currently anticipated.

5. EQUALITIES IMPLICATIONS

- 5.1 No equality impact assessment has been undertaken on this report as it essentially seeks approval for an extension of financial arrangements previously agreed.

6. FINANCIAL IMPLICATIONS

- 6.1 It is proposed that the additional financial provisions in this report totalling £502k should be funded from General Fund balances.
- 6.2 Members will recall that the Section 151 Officer recommends that the minimum balance on the General Fund reserve should be £10m i.e. circa 3% of the Council's net revenue budget.
- 6.3 Based on the 2015/16 provisional outturn position the proposed provisions within this report can be funded from the General Fund reserve without compromising the recommended minimum balance of £10m.

7. PERSONNEL IMPLICATIONS

7.1 The personnel implications are included in the report.

8. CONSULTATIONS

8.1 All consultation responses are included in the report.

9. RECOMMENDATIONS

9.1 It is recommended that Council:-

9.1.1 Approves a further financial provision of £282k to be funded from General Fund balances to cover the potential salary costs of the three Senior Officers for the period 1st September 2016 to the 31st March 2017.

9.1.2 Approves an additional financial provision from General Fund balances of £220k to meet potential 2016/17 legal costs arising from the ongoing investigation process.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To ensure that sufficient funding is set-aside to meet the potential costs of the ongoing investigation process.

11. STATUTORY POWER

11.1 Local Government Acts 1972 and 2000.
Local Authorities (Standing Orders) (Wales) Regulations 2006.
Local Government and Housing Act 1989.

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Cllr Barbara Jones, Deputy Leader and Cabinet Member for Corporate Services

Background Papers:-

Cabinet Report 23/07/13 - Provisional Outturn for 2012/13

Council Report 26/02/14 - Budget Proposals 2014/15 and Medium-Term Financial Strategy 2014/2017

Cabinet Report 02/04/14 – Interim Arrangements – Head of Legal Services

Council Report 25/02/15 – Budget Proposals 2015/16 and Medium-Term Financial Strategy 2015/2018

Council 09/06/15 – Contract Arrangements of Interim Chief Executive