

MINUTES OF THE GENERAL PURPOSES COMMITTEE
Wednesday, 27th September 2006 at 7.00 pm

PRESENT: Councillor John (Chair), Councillor R Blackman (Vice-Chair) and Councillors Bessong, Beswick, Colwill, D Long, Lorber, J Moher, and Wharton.

1. Chair

In the absence of the Chair, the Vice-Chair chaired the meeting.

2. Declarations of Interest

None.

3. Minutes of Previous Meetings

RESOLVED:-

that the minutes of the following previous meetings of the General Purposes Committee be received and approved as an accurate record:

- Monday, 6th February 2006;
- Monday, 22nd, May 2006;
- Monday, 26th, June 2006.

4. Matters Arising

None.

5. Deputations

None.

6. Statement of Accounts 2005/06 – International Standard on Auditing (ISA) 260

The Committee received a copy of the International Standard on Auditing (ISA)260 report from the external auditors PricewaterhouseCooper (PwC) in respect of the Council's 2005/06 Statement of Accounts. Mike Robinson and Peter Greaney attended from PwC to present the report.

Mr Robinson commented that the report before members represented the external PwC view of the 2005/06 Statement of Accounts. Although no major issues of concern had been highlighted, those present were reminded that by accepting the report, the Council was accepting the changes that had been made during the audit process.

The Committee were advised that in addition to the standard opinion that PwC issued as their “true and fair view” on the accounts, there was a new requirement for the external auditors to provide an opinion on the Council’s use of resources. Mr Robinson confirmed that PwC would be issuing an unqualified opinion in both categories and would be signing off the finalised accounts on Thursday, 28th September 2006.

Mr Greaney highlighted some of the key findings from the report, emphasising the good result achieved in the use of resources category. It was advised that some of the adjustments made had been the result of the earlier closing date from last year, but that none of these changes had affected the Council’s surplus. Nevertheless, the £1.3 million alteration to the schools balance was noted as a particular area of significant movement between the unaudited draft accounts and the finalised version. Whilst no material weaknesses in the accounting and internal control systems had been identified during the audit, Mr Greaney advised that a number of system enhancements had been proposed to officers, details of which were further outlined in the report.

The Committee raised a number of concerns about the problems associated with closing school accounts and queried whether the internal control recommendations outlined in Appendix B of the report would be sufficient to address this issue. The Vice Chair asked why there had been such a significant movement on the schools balances following the accounts closure date, and in response heard that this was primarily due to the number of schools involved in this process and their complexity in organisation. Members highlighted the importance of consultation with schools on the audit process, as well as training on financial management issues for school governors.

One member queried whether sufficient measures were now in place to detect any possible irregularities in school accounts. Mr McLeod responded that additional funds had been allocated to ensure that schools were audited on a more frequent basis, though foundation schools appointed their own auditors which presented difficulties in terms of ensuring consistency of reports. Members heard that although resource limitations meant each school might only be audited once every three years, in the intervening period they would be in regular contact with the Children and Families department. On financial matters, it was further noted that an action plan had been developed with the Children and Families department to address financial management issues. Furthermore, this department held a monthly meeting with Finance and Corporate Resources where any issues of concern surrounding school finances were discussed. Mr McLeod confirmed that it would be difficult for Finance and Corporate Resources to produce the statement of account any earlier in future years, if the closing date was moved forward again. It was emphasised that school accounts presented specific timetabling difficulties for local authorities.

In response to a question raised about debt owed to the Council by the Primary Care Trust (PCT), Mr Robinson advised that it was common for councils across London to have debts over 90 days old, and it was suggested that the Council issue a periodical statement with organisations such as the PCT outlining any outstanding debts.

Members were advised that the Use of Resources assessment scores outlined in Appendix 1 of the report had an impact on the Council's Comprehensive Performance Assessment (CPA) scores. Further to a question regarding the scores, Mr Greaney stressed that the Council had met the criteria for an unqualified opinion to be issued in all areas. Those present were also reminded that the PwC Use of Resources category in the report, had been based on the 2005/06 situation. Duncan McLeod also noted that that improvement systems had been put in place to address many of the risk management issues identified in the report and also drew attention to the online training package now available for members. Members also heard that the Council had accepted all the internal control issues in the PwC report, including those concerning schools and once signed off, Mr McLeod agreed to make a copy of the finalised accounts available to all Committee members.

As this was to be the last occasion on which Mr Robinson represented PwC at the General Purposes Committee, the Committee formally thanked him for the work he had carried out for Brent Council over the past 3 years. Duncan McLeod and the Finance and Corporate Resources team were also thanked for their work in connection with the Statement of Accounts 2005/06.

RESOLVED:-

that the ISA 260 report from PwC and the representation letter from the Director of Finance and Corporate Resources be noted.

7. Chair

During discussion on Item 6, Councillor John entered the meeting. She took the Chair from Item 8 for the remainder of the meeting.

8. Discretionary Policies Under the Local Government Pension Scheme

Duncan McLeod (Director of Finance and Corporate Resources) explained that on 11th July 2002 the General Purposes Committee had agreed the continuation of a number of discretionary policies which were delegated to local authorities under the Local Government Pension Scheme 1997. Following a recent officer review, the report currently before Committee members proposed amendments to some of these policies.

Mr McLeod highlighted that the Employment Equality (Age) Regulations 2006, due come into force as of 1st December 2006, had made changes to the Council's policy on the abatement of pensions necessary. Currently, when an employee aged over 50 was made redundant, the Council had a policy of adding years to their pension. If the individual subsequently found employment with another "Scheme employer", such as another local authority, there was provision for the Council to abate some of this pension. In response to the new legislation, it was proposed the abatement policy should be extended to cover employees of all ages, though members were reminded that these provisions were rarely used. It was further noted that a number of proposed recommendations outlined in the report were aimed at streamlining administrative processes rather than substantively altering Council policy.

In response to questions raised, Andy Gray (Pensions Manager) confirmed that a certificate of protection issued under Regulation 23 of the Local Government Pension Scheme (LGPS) would only be granted where a scheme member had suffered a reduction in pay due to circumstances beyond their control. The revised policy statement reflected the wording of the Local Government Pension Scheme and ensured that the certificate was issued automatically in all relevant circumstances. It was also confirmed that the proposals outlined in the report only covered LGPS members and not teachers.

Members heard that the current arrangements whereby employees aged over 60 were exempt from abatement would be incompatible with the new legislation. However, whilst this meant that changes to Council policy were necessary, it was important for any changes to retain a degree of flexibility. Thus, a right of appeal would be afforded to pensioners whose salary on re-employment was less than £25,000 and who notified the Council of their re-employment in advance. It was also confirmed that the new abatement provisions would only apply to employees who were re-employed with a Scheme employer from now on and not those already in such a position.

RESOLVED:-

- (i) that the decision making procedure that allows payment of pension under regulation 31 of the Local Government Pension Scheme (LGPS) 1997 and regulation D11 of the LGPS Regulations 1995 be amended as per paragraphs 3.4 to 3.6 of the report;
- (ii) that the policy statement regarding the issue of a certificate of protection for pensionable pay be amended to read "A certificate of protection will be issued in all circumstances where a scheme member suffers a permanent reduction in pay, providing the reduction is not as a result of the scheme member's own circumstances";

- (iii) that the Council change its policy on abatement so that there is a reduction of members' pensions in all cases if they return to employment with a Scheme employer, subject to the retention of existing arrangements for appeals against abatement. This change of policy would be subject to consultation with the admitted and scheduled bodies who like the Council employ active members of the Brent Pension fund.

7. A New Council Severance Scheme

Duncan McLeod (Director of Finance and Corporate Resources) explained that the Council currently had the power to exercise its discretion to award compensatory added years to employees on the grounds of redundancy or efficiency under the Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 2000. However, draft regulations proposed the removal of this discretion from 1st October 2006, thus requiring amendments to the current Council scheme. Committee members had before them a joint report from the Director of Finance and Corporate Resources and the Director of Human Resources and Diversity outlining proposes for a New Council Severance scheme.

The current severance provisions were outlined, whereby more generous terms and conditions were granted to those aged over 55 and on lower rates of pay. Members were reminded that such arrangements would be incompatible with the new age discrimination legislation due to come into force on 1st December 2006. However, the government had recognised the problems associated with removing "added years" from schemes. Consequently, the draft regulations proposed continued discretion for redundancy payments to be based on actual gross contractual pay and provision for severance payments to be made up to a maximum of 104 weeks pay inclusive of the statutory redundancy payment. Members were reminded that separate arrangements were in place for school employees and consequently they were not covered by the proposals.

Mr McLeod drew attention to the various severance scheme models open to the Council, as outlined in paragraph 3.18 of the report, noting that that it was suggested that the simplest method of applying a multiple to the number of weeks' pay derived from the Employment Rights Act's calculation of a statutory redundancy payment be used. He further outlined the potential consequences of the new severance scheme in term of the Council's overall financial position. Members were advised that whilst the scheme could potentially provide more financial certainty with a reduced cost for the Council for those individuals eligible under the current scheme, this might be offset by the fact that the package would be available to all in order to comply with the new legislation. Estimates based on all staff made redundant

in the 2005/06 indicated that the cost of awarding payments under the new severance scheme (to all relevant staff in that year) was broadly similar to the combined pension and lump sum paid to staff under the existing scheme. It could prove more costly in situations involving high levels of redundancies, though members were reminded that the Council had made few redundancies in recent years.

The importance of remaining aware of policy changes in comparable local authorities was highlighted as an issue for consideration. Valerie Jones (Director of Human Resources and Diversity) indicated that if a 1.5 multiplier was used, as recommended in the report, the Brent scheme would be less generous than that of the majority of other local authorities in London. It was noted that redundancy arrangements could have a significant impact on how the Council was viewed externally. Thus, Ms Jones advised that it might not be prudent for the Council to offer only a statutory minimum payout or significantly less than other comparable organisations.

Duncan McLeod also reminded Committee members of the importance of initial decisions being taken regarding the Council's severance scheme before the forthcoming legislative changes. However, he stressed that if the report recommendations were agreed, the Council would still need to consult with the trade unions on some of the proposals and bring these before the General Purposes Committee at a future date.

One member pointed to the importance of ensuring that the proposed changes did not have a detrimental impact on the way in which the Council was viewed by prospective employees. Mr Gray confirmed that in line with the majority of other local authorities in London, it was proposed that redundancy packages would continue to be based on actual pay rather than the statutory minimum payout. In response to concern about the potential impact of other Councils offering more attractive severance schemes, he stressed that such issues would be explored further during the consultation process.

A number of questions were asked about the involvement of trade unions, and it was confirmed that unions were aware of the need for the Council to amend its scheme fall in line with new legislation. Whilst initial decisions were required prior to 1st October 2006, there would subsequently be a period of consultation during which the unions would have the opportunity to input into the process.

RESOLVED:-

- (i) that the need for the Council to formulate, publish and keep under review a policy under the proposed Local Government (Early Termination of Employment)(Discretionary Compensation)(England and Wales) Regulations 2006 be noted;

- (ii) that it be noted that if the final version of the regulations appears to officers to be significantly different from the draft regulations mentioned in (i) a further report would be brought before the General Purposes Committee;
- (iii) that it be noted that the recommended severance arrangements may be subject to future amendment to ensure consistency with developing Council strategies and policies;
- (iv) that it be noted that the current Discretionary Payment Regulations require that the Council publish a statement of changes made to its policies within one month of the date of the decision and that the Council must not give effect to any policy change until one month has passed since the date of publication of that statement. It was noted that this would have a bearing on the temporary measures mentioned in 3.22 of the report as these temporary measures would involve a change from current policy in the way that compensatory added years (CAY) were awarded;
- (v) that the weekly pay used to calculate statutory redundancy payments under the Employment Rights Act (ERA) continue to be based on actual gross contractual pay and not the statutory maximum set under the ERA - currently £290.00;
- (vi) that if the draft regulations (whether as currently drafted or with amendments that do not appear to officers to be significant) become law on 1st October 2006 or some later date, the Council adopt as from the date the draft regulations become law in respect of Council employees who are not working in maintained schools and who are not teachers, the severance policies set in paragraphs 3.20, 3.21 and 3.29 (i) and (ii) of the report;
- (vii) that it be noted that as of 1st October 2006, an award of compensatory added years (CAY) could still be made if permitted by the Discretionary Compensation Regulations. It was noted that as from the earliest date the Discretionary Compensation Regulations would permit a change in Council policy on the award of CAY to be given effect, no such award would be made or agreed to be made by officers without the prior authorisation of the Director of Finance and Corporate Resources. From the 1st October 2006 to that earliest date no Council employee to whom this report applied would have his/her employment with the Council terminated on the grounds of redundancy or efficiency without the prior authorisation of the Director of Finance and Corporate Resources. The making of such an award would preclude the making of a severance payment as set out in paragraph 3.23 of the report;

- (viii) that the Director of Finance and Corporate Resources be authorised:
- (a) to approve exceptional circumstances severance payments in the case of redundancy as set out in paragraph 3.21 of the report;
 - (b) to decide in any particular case the amount of CAY to award as set out in paragraph 3.23 of the report;
 - (c) in consultation with the Director of Human Resources and Diversity and the Borough Solicitor to develop a written procedure concerning how requests for exceptional circumstances severances payment are to be made dealt with;
 - (d) in consultation with the Director of Human Resources and Diversity and the Borough Solicitor to develop a written procedure concerning authorisation by him/her of severance payments on the grounds of efficiency are to be made and dealt with.
- (ix) that the Council's Managing Change policy be amended to incorporate changes which the Director for Human Resources and Diversity consider are consequential on the adoption by members of the recommendations vi to viii.

8. Sub-Committee Membership Changes

RESOLVED:-

that Councillors Baker and Malik be appointed as first and second alternates respectively to Councillor Mistry on the Teachers' Joint Consultative Committee.

9. Appointments to Outside Bodies

RESOLVED:-

- (i) that the Committee approve the appointment of Mr J Patel to the London North West Valuation Tribunal;
- (ii) that Councillors Baker, HB Patel and HM Patel be appointed to serve on the Wembley Eleemosynary Charities;
- (iii) that Councillor Colwill be appointed as deputy to Councillor Steel on the ALG Culture and Tourism forum;
- (iv) that Councillor Malik be appointed to serve of the Chalkhill Joint Development Board.
- (v) that Councillor John replace Councillor D Long on the Tricycle Theatre Board.

10. Date of Next Meeting

It was noted that the next meeting of the General Purposes Committee would take place on Tuesday, 16th January 2007.

11. Any Other Urgent Business

None.

The meeting ended at 8.40 pm.

A JOHN
Chair