



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by: The Chief Executive

Contact: Mairi Millar Extension: 74053

Item 1

11th March 2025

OUTCOME OF INDEPENDENT REVIEW OF SENIOR OFFICER EXIT PAYMENTS

Purpose of Report

The purpose of this report is to inform the Committee of the findings of an independent review of the arrangements relating to senior officer exit payments.

Recommendations

It is recommended that Committee:

- a) Notes the findings of the independent review, including the Investigatory Report by Brodies LLP at Appendix 2 and the Opinion of Senior Counsel at Appendix 3;
- b) Notes that a comprehensive internal review of the council's governance arrangements relating to workforce and service reform activity is being undertaken, taking into account the findings and recommendations arising from this independent review and any recommendations put forward by the council's external auditor;
- c) Notes that reports will be taken to future meetings of the Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee and the City Administration Committee on the outcome of the internal review of the council's governance arrangements, which will include setting out any proposed changes to the council's Scheme of Delegated Functions; and
- d) Instructs the Head of Audit and Inspection to provide regular updates to this Committee on management's progress in implementing any agreed actions as a consequence of that review.

Ward No(s):

Citywide: ☐

Local member(s) advised: Yes ☐ No ☐

consulted: Yes ☐ No ☐

1. Introduction

- 1.1 The Council published its Pre-audited Annual Accounts for financial year 2023/24 in July 2024. The unaudited accounts were considered by the Finance and Audit Scrutiny Committee on [21 August 2024](#)
- 1.2 The Annual Accounts include a Remuneration Report in accordance with The Local Authority Accounts (Scotland) Regulations 2014. The Remuneration Report is required to include any payments relating to “Compensation for Loss of Office” and any “Strain on the Fund” employer pension contributions that may arise due to exit agreements.
- 1.3 The Remuneration Report disclosed that during 2023/24 there was a Strain on Fund cost of £317,417 in respect of the retirement of the former Chief Executive and a Strain on the Fund cost of £223,065 and a Compensation for Loss of Office payment of £59,971 in respect of the retirement of the former Director of Legal and Administration. Following publication of the Remuneration Report, concerns were raised with the Chief Executive by the Leader of the Council and the City Treasurer regarding these payments. The Council also received questions and requests under Freedom of Information legislation in relation to the financial terms associated with these departures.
- 1.4 An initial review of the underlying documentation and process relating to these packages was carried out by the council’s Monitoring Officer and Head of Audit and Inspection. The documents considered as part of this initial review included a business case report for Early Retirement/Voluntary Redundancy entitled “*Chief Executive Department – Report for the Executive Director of Financial Services, February 2021 – Proposed Senior Management Restructure.*” (referred to as *The Restructure Report*”).
- 1.5 This Restructure Report set out the proposed financial arrangements relating to the exit of five former senior officers within the Chief Executive’s Department, which departures took place over a period of time between April 2021 and May 2024. The five former senior officers who were the subject of this report were:-
 - Carole Forrest – Solicitor to the Council and Director of Governance
 - Anne Connolly – Principal Adviser to the Chief Executive
 - Robert Anderson – Head of Human Resources
 - Elaine Galletly – Head of Legal and Administration and laterally Director of Legal and Administration
 - Annemarie O'Donnell – Chief Executive.

A copy of the Restructure Report is attached at Appendix 1.

- 1.6 As a result of this initial review, it was determined that the most appropriate way to address the questions raised in relation to these exit packages was to instruct an independent, external investigation into the circumstances in which the payments were made and the approval processes which led to them. The council’s external auditors also requested external legal advice be sought on this matter. The council therefore instructed Brodies LLP to investigate and prepare a report on these matters. Thereafter Brodies instructed a KC to prepare an Opinion to confirm the findings of this review.
- 1.7 As an interim mitigation measure while the independent external review was being undertaken, the Chief Executive:

- instructed that any Early Retirement/Voluntary Redundancy (ERVR) for senior officers is to be approved only by the Chief Executive, and notified to the Senior Appointments Committee;
- advised the council's external auditor of the concerns raised; and
- instructed an internal review of workforce and service reform governance arrangements, to include pensions discretions as well as the arrangements specifically relating to senior officers.

2. Scope, Authority and Terms of Reference

2.1 The Terms of Reference instruction for the investigation by Brodies was drafted by senior officers from within the council's in-house legal services team, under the direction of the council's Chief Executive and with input from senior officers from other service areas. It reflected officers' current understanding and state of knowledge and was not intended to restrict the terms of the review, which Brodies have been free to pursue according to their own professional obligations. Information and documentation have been provided by senior officers from other service areas including Human Resources and Financial Services. Brodies have been free to seek or request any other information or documentation which they consider relevant to this review.

2.2 The Terms of Reference agreed with Brodies were as follows:-

- a) In each case, were the severance terms which were offered, and which were accepted by the individuals, consistent with the council policy which applied at that time?
- b) Do you feel able to express a view on any or all of the proposals set out in the Restructure Report which are understood to be the justifications for the terminations and associated payments?
- c) In each case where the severance terms included a strain on the fund payment by the council to the SPF, do you consider that payment to have been mandatory or discretionary within the LGPS regulations?
- d) Did the process for each termination comply with the council's internal rules and governance, including the applicable Scheme of Delegated Functions?
- e) Is there any evidence that any recipient of a severance package, or any other officer, acted unlawfully, in breach of contract, contrary to the Council's code of conduct or otherwise improperly in relation to that severance package?
- f) Is there any legal basis for the recovery of any sums which were paid as part of any of the severance packages? If so, what procedure would require to be followed and what are the prospects of recovery based on the available evidence?
- g) In relation to the process for approving terminations of the type which this review has been asked to scrutinise, are there any changes in procedure or other recommendations which you would make?
- h) Are there any other actions or steps which you consider the Council should take in light of your findings?

3. Brodies LLP Findings and conclusions

3.1 The Brodies' Report is provided in full at Appendix 2. The key findings, conclusions and recommendations from their report are:

- That the severance terms offered to each of the former senior officers who are the subject of the investigation were in accordance with the applicable council policies in terms of redundancy payments, pension strain costs and payback periods. However, the report notes that there is some uncertainty as whether Ms Forrest's departure could be said to fall within the scope of the council's

policies on redundancy and early retirement. This is more fully explained at 5.4 to 5.10 of the Brodies Report.

- That the justification advanced for the senior management restructure were ongoing savings by deleting a number of senior posts and succession planning given the age of senior officers. However Brodies considered that the justification for the early retirement of the former Chief Executive was not supported by the Restructure Report or any other accompanying correspondence. They noted that while the former Chief Executive's early retirement had been linked to the deletion of the post of Executive Director of Development and Regeneration Services, there was no clear justification for doing so.
- It is considered that the Restructure Report should have been the subject of elected member input, rather than being approved solely by officers, particularly as the officers who were involved in approving it also benefited from its terms by being proposed for early retirement/severance packages.
- No evidence was found that elected members were asked to approve the Restructure Report or individual applications for severance/retirement. There was also found to be no evidence to suggest that elected members had any knowledge of the details of their departure packages prior to the publication of the Remuneration Report as part of the pre-audited Annual Accounts for financial year 2023/24 published in July 2024.
- There is, however, no finding that the Restructure Report was approved unlawfully because doing so was within the delegated authority of the Chief Executive and Solicitor to the Council/Director of Governance.
- Notwithstanding that finding, it is considered that the former Chief Executive's application for early retirement was not, on the face of it, lawfully approved in terms of the council's Scheme of Delegated Functions. It is considered that the approvals for the four other senior officers were carried out within the terms of the Scheme of Delegated Functions.
- That the pension strain costs which formed part of four of the five redundancy/early retirement packages under investigation were mandatory in terms of the council's policy and the Local Government Pension Scheme Regulations.
- No evidence was found that would allow a conclusion to be made that any recipient of any severance/retirement package, or any other officer involved in the process, acted improperly.
- In relation to the approval of the former Chief Executive's application for early retirement, officers approved the application under the Scheme of Delegated Functions on behalf of the council. While Brodies conclude that the extent of the delegation was not applicable, they do not consider that it gives rise to improper conduct on the part of individual officers. Ultimately, it would be the council who, on the face of it, acted unlawfully in relation to this matter rather than any individual officers.
- It is considered that there is no reasonable basis for the recovery of the sums paid by the council in respect of the five early retirement/redundancy packages, including that of the former Chief Executive.

3.2 Brodies have also set out a number of recommended actions arising from their investigation and the above findings. These are set out in section 11 of their report and are summarised below at section 5 of this Report.

3.3 A copy of Brodies Report has been provided to the council's external auditor.

4. Opinion of Senior Counsel

4.1 The Opinion provided by Douglas Ross KC is attached in full at appendix 3. The Opinion is based on the investigation carried out by Brodies and having had access to all of the papers provided to them by the council. The Opinion sets out responses to each of the specific questions set out in the Terms of Reference referred to above at paragraph 2.2 of this Report.

4.2 In particular, the Opinion states that there is nothing within the Brodies' Report or the associated papers that leads Counsel to think that any criminal offence was committed or that any officer acted unlawfully. Nevertheless, however, the Opinion does note what is referred to as an "*informal*" and "*casual approach to processes*" and that the whole process gave rise to "*an appearance of conflict of interest*". Counsel notes that a course of action which would have avoided this appearance, and a possible failure to act selflessly and objectively, would have been to put the Restructure Report to the relevant council committee for approval.

4.3 Counsel further notes that consideration should be given as to whether a council committee should require to approve any early retirement or severance arrangements in respect of officers over a particular grade.

4.4 The Opinion also states that Counsel is in broad agreement with the recommendations set out the Brodies' Report and considers it plainly desirable that the Scheme of Delegated Functions should be revised to make specific provision for approval of the severance or early retirement of the post of Chief Executive.

4.5 A copy of the Opinion has also been shared with the council's external auditors.

5. Action required

5.1 Brodies have recommended that the council's Scheme of Delegated Functions should make specific reference to the approval process for the early retirement or severance arrangements in respect of the post of Chief Executive. They have also recommended that the council considers whether a council committee should require to approve any early retirement or severance arrangements in respect of officers above a particular grade.

5.2 Brodies have also recommended that the council should set out in policy or guidance the internal process which is to be followed for the approval of early retirement or severance arrangements in respect of senior officers. They have also recommended that the council keeps an electronic record of all approvals necessary in terms of the Scheme of Delegated Functions relating to the approval for early retirement and/or severance and service restructures.

5.3 As noted at paragraph 1.7 of this Report, the Chief Executive has instructed a comprehensive internal review of the council's governance arrangements relating to workforce reforms, including early retirement/voluntary redundancy and pension discretions. This also specifically includes reviewing the governance arrangements relating to the departure of senior officers, including the Chief Executive. This work is underway and will take into account the findings and recommendations arising from

the independent review carried out by Brodies and Douglas Ross KC as well as any recommendations made by the council's external auditor.

- 5.4 A key focus of this internal review will be to establish recommended changes to the Council's Scheme of Delegated Functions and to put in place arrangements to enhance and monitor awareness, understanding and application of these governance rules across senior management and leadership teams.
- 5.5 Reports setting out the findings and recommendations from this internal review will be taken to future meetings of the Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee and the City Administration Committee within the next Committee cycle.
- 5.6 The Head of Audit and Inspection will monitor progress of the implementation of the agreed actions and recommendations arising from that review and will undertake monitoring to ensure ongoing compliance. Further reports on progress and compliance will be brought back to future meetings of this Committee.

6. Recommendations

It is recommended that Committee:

- 6.1 Notes the findings of the independent review, including the Investigatory Report by Brodies LLP at Appendix 2 and the Opinion of Senior Counsel at Appendix 3;
- 6.2 Notes that a comprehensive internal review of the council's governance arrangements relating to workforce and service reform activity is being undertaken, taking into account the findings and recommendations arising from this independent review and any recommendations put forward by the council's external auditor;
- 6.3 Notes that reports will be taken to future meetings of the Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee and the City Administration Committee on the outcome of the internal review of the council's governance arrangements, which will include setting out any proposed changes to the council's Scheme of Delegated Functions; and
- 6.4 Instructs the Head of Audit and Inspection to provide regular updates to this Committee on management's progress in implementing any agreed actions as a consequence of that review.