

North Tyneside Council Report to Cabinet Date: 13 February 2012

ITEM 6 (j)

Shared Internal Audit and
Risk Management Service
between North Tyneside
Council and Northumberland
County Council

Portfolio(s): Finance

Cabinet Member(s): Cllr Judith Wallace

Report from Directorate: Finance and Resources

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Wards affected: All

PART 1

1.1 Purpose:

The purpose of the report is to appraise Cabinet of the due diligence analysis undertaken and the outcomes of a Business Case regarding the potential for implementing a shared Internal Audit and Risk Management Service between North Tyneside Council (NTC) and Northumberland County Council (NCC); and to seek Cabinet's approval to progress with the implementation of a shared Internal Audit and Risk Management Service.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Notes the progress which has been made to date in undertaking due diligence assessment, preparation of an Outline Business Case and costed options, and project management of the potential for implementation of a shared Internal Audit and Risk Management service, in accordance with the decision of Cabinet on 7 March 2011;
- (b) Reaffirms the decision taken in March 2011, agreeing to the principle of the shared service as a constitutionally shared model in the first instance, with one manager of the new shared service leading delivery of Internal Audit and Risk Management services to North Tyneside Council and Northumberland County Council; and
- (c) Agrees to receive further reports, as detailed plans for full implementation are agreed by the Shared Services Management Board.

1.3 Forward Plan:

This report appears on the Forward Plan for the period 1 February 2012 to 31 May 2012.

1.4 Council Plan and Policy Framework

This report relates to the following priority in the Council Strategic Plan 2011/15:

Priority 3: Our Resources – to respond to the level of reduction in public expenditure by changing what we do and how we do it to reduce costs, drive out inefficiencies and make sure we provide excellent services which give the best added value for residents.

Theme 3.1: Reforming and rationalising services.

1.5 Information:

Background

- 1.5.1 On 7 March 2011, Cabinet received a report from the Senior Leadership Teams of North Tyneside Council and Northumberland County Council, setting out opportunities to explore options for informal joint working and more formal arrangements for sharing services between the two councils. The rationale for the proposals was to enable delivery of more efficient and effective services to residents of both areas in the context of a desire to protect services at a time of significant resource reduction.
- 1.5.2 The report in March 2011 also provided an update in relation to progress in some service areas towards shared management and other arrangements and sought endorsement of Cabinet to those arrangements continuing, until the completion and consideration of business cases for future service delivery models in those areas.
- 1.5.3 The report represented the first stage of exploring options for working collaboratively with other public bodies, set the framework for taking forward such joint working, and identified initial opportunities. It was proposed that further reports would be submitted to Cabinet as business cases for the proposed collaborative or shared services were progressed. At its meeting in March 2011, Cabinet agreed the strategic objectives for partnership working, governance arrangements and interim shared management arrangements.

Progress to Date

- 1.5.4 North Tyneside Council's Chief Internal Auditor was appointed on behalf of both councils to:
 - (a) Project manage initial due diligence analysis and prepare an Outline Business Case in respect of the proposed shared Internal Audit and Risk Management Service;
 - (b) If a decision to go ahead with the shared service was made:
 - (i) project manage its implementation; and
 - (ii) move into the role of shared head of internal audit (delivering for both councils) with effect from April 2012.
- 1.5.5 Initial due diligence work was completed within planned timeframes and an Outline Business Case was prepared and shared with the Shared Services Management Board (comprising the Section 151 Officers of both Councils) in April 2011. This was in line with the timetable agreed by Cabinet in March 2011.
- 1.5.6 A detailed options paper was then prepared and shared with the Shared Services Management Board in July 2011. This was followed in August and September 2011 by an extended period of additional analysis, requested by the Shared Services Management Board, to verify current productivity of operations at both organisations, costs, assumptions and projected savings on a number of possible models.

- 1.5.7 This due diligence, initial Business Case and costed options work has indicated that the Internal Audit and Risk Management service is likely to be viable to proceed to full implementation as a shared service between North Tyneside Council and Northumberland County Council.
- 1.5.8 A Detailed Implementation Plan in relation to the proposed shared service model for Internal Audit and Risk Management has been compiled and has been regularly maintained – this sets out a comprehensive series of actions and timescales, supplemented with a suite of project work briefs, which facilitates a structured approach to project management and which allows for more integration between the teams of the two councils from April 2012. The Plan has been careful to fully involve both teams at each organisation, with two nominated lead officers for each task (one from NTC and one from NCC) commencing from October 2011.
- 1.5.9 Discussions regarding customer experience and expectations of Internal Audit and Risk Management have taken place with NTC's Senior Leadership Team and also with NCC's Strategic Management Team. This is the first stage in establishing the aspirations of both senior teams, which will be essential in determining the audit needs of both organisations. In turn, required resourcing can then be more accurately established and a corresponding structure prepared for formal decision making.

Next Key Steps

- 1.5.10 The next key stage is to gain formal agreement to the principle of the shared service as a constitutionally shared model in the first instance. NTC's Chief Internal Auditor has been appointed to act as the Manager of the new shared service, with responsibility for delivery of Internal Audit and Risk Management services across the two organisations.
- 1.5.11 Once fundamental governance arrangements (including benefit sharing and legal considerations) between the two councils have been agreed to the satisfaction of the Shared Services Management Board overseeing the project implementation, further reports will be brought before Cabinet containing details of the proposed shared arrangements for consideration and agreement.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

To reaffirm the decision made in March 2011 and agree to the principle of the shared Internal Audit and Risk Management service as a constitutionally shared model in the first instance; and to receive further reports, as detailed plans for full implementation are agreed by the Shared Services Management Board.

Option 2

Not to reaffirm the decision made in March 2011 and agree to the principle of the shared Internal Audit and Risk Management service as a constitutionally shared model in the first instance; or to receive further reports, as detailed plans for full implementation are agreed by the Shared Services Management Board.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

This will enable the Shared Services Management Board to continue their examination of the opportunities which the shared service may realise on behalf of both councils, and to prepare further detailed reports for consideration and agreement by Cabinet if full implementation of the shared service would be advantageous to both organisations. This would also enable the Shared Services Management Board to implement comprehensive governance arrangements, which otherwise would be substantial work done 'at risk' pending Cabinet's agreement in principle to proceeding.

1.8 Appendices:

There are no appendices to this report.

1.9 Contact officers:

Allison Mitchell, Senior Manager: Audit, Risk and Procurement, tel. (0191) 643 5720
Anthony Gollings, Financial Business Manager, tel. (0191) 643 8071

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) Report to Cabinet, "Provision of Services in Association with Other Public Bodies", 7 March 2011, and associated minute CAB162/03/11.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

Initial savings proposed from shared services arrangements for Internal Audit and Risk Management total £129k, and are included in the 2012/13 revenue budget proposals for the Internal Audit and Risk Management service. As more details of shared services delivery are agreed by the Shared Services Management Board, comprising the Section 151 Officers of both Councils, the financial implications of any proposed decisions will be reported back to Cabinet as appropriate, for approval.

2.2 Legal

There are no immediate legal implications arising from this report. The legal implications of the various potential models of service delivery will be examined by the Shared Services Management Board and appropriate advice will be provided for due consideration. Full information on the proposed governance arrangements for the shared service, and the legal implications associated with these, would be included for consideration in a future report to Cabinet should Cabinet agree the recommendations of this report.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

The strategic objectives and specific proposals described in this report have been developed through the Council's Senior Leadership Team, working closely with the Elected Mayor and Cabinet.

2.3.2 External Consultation/Engagement

Discussions between the Council and Northumberland County Council have given rise to the proposals described in this report.

2.4 Human rights

There are no human rights issues directly arising from this report.

2.5 Equalities and diversity

There are no equalities and diversity issues directly arising from this report.

2.6 Risk management

Risk will be managed through the Council's risk management process, programme governance arrangements for the Change, Efficiency and Improvement Strategy, and through the Shared Services Management Board. There are inherent potential risks in sharing services around capacity, prioritising, delivery and reputation, which will need to be carefully monitored and managed. Arrangements will be put in place to ensure that a conflict resolution approach, and an appropriate exit strategy should the risk be too great for one, both or all parties, is properly considered.

2.7 Crime and disorder

There are no crime and disorder issues directly arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability issues directly arising from this report.

PART 3 - SIGN OFF

- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Director with
Responsibility for Community
Engagement X