

North Tyneside Council Report to Cabinet Date: 14 January 2013

ITEM 7(h)

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

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:

On 13 February 2012, Cabinet approved plans to progress with the implementation of a shared Internal Audit and Risk Management Service between North Tyneside Council (NTC) and Northumberland County Council (NCC).

The purpose of the report is to update Cabinet on the progress which has now been made in implementing the shared service, explain the next steps required to implement the final phase of the shared arrangements and secure maximum benefits for both councils, and to outline the detailed consultation which has taken place with staff and Trades Unions as part of this process.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Notes the progress which has been made in implementing a shared Internal Audit and Risk Management service, in accordance with the decision of Cabinet on 13 February 2012;
- (b) Notes the next steps to be taken as part of the final phase of the implementation of this shared service; and
- (c) Notes that the requirements of Section 113 of the Local Government Act 1972, regarding the duty to consult when placing staff at the disposal of other local authorities, have been fully complied with as part of a detailed consultation process.

1.3 Forward Plan:

28 days' notice of this report has been given and it first appeared on the Forward Plan that was published on 14 November 2012.

1.4 Council Plan and Policy Framework

This report relates to the Budget 2012/13 and the Council Strategic Plan for 2012/15, and the shared services workstream being managed as part of the Change, Efficiency and Improvement programme (Theme B).

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 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.
- 1.5.3 On 13 February 2012, Cabinet received a further report and approved plans to progress with the implementation of a shared Internal Audit and Risk Management Service between the two councils. At this meeting, Cabinet noted the progress which had been made at that stage, including completion of due diligence assessment, preparation of an Outline Business Case, and project management activity undertaken throughout 2011/12 up to that point. Cabinet reaffirmed its decision of 7 March 2011, agreeing to the establishment of this shared service, with North Tyneside Council's Chief Internal Auditor leading delivery of Internal Audit and Risk Management services to both North Tyneside Council and Northumberland County Council.
- 1.5.4 The equivalent decision to proceed with the shared service was also made by Northumberland County Council's Executive, on 6 February 2012.

Progress to Date

- 1.5.5 In accordance with the decision of Cabinet on 13 February 2012, North Tyneside Council's Chief Internal Auditor has continued to project manage the implementation of the shared service, on behalf of both councils. This officer has also moved into the role of shared Chief Internal Auditor, delivering for both councils, at a slightly earlier date than planned (February 2012). A number of additional management roles have also been performed for the benefit of both councils.
- 1.5.6 Since the agreement to the shared service in February 2012, the Chief Internal Auditor has ensured that all required responsibilities of the Internal Audit and Risk Management service have been properly discharged at both councils. This has included strategic audit planning and support of corporate risk management arrangements; providing support to the Audit Committees of both councils; liaison with key stakeholders including senior management, elected members and the external auditors of both councils; and the

delivery of statutory assurance services in accordance with agreed plans. The shared service is providing opportunities to deliver a number of benefits for both councils, including a more efficient and streamlined assurance function, sharing of good practice, development of a centre of excellence for the region, and a clear customer focused approach linking good governance directly to the achievement of organisational goals.

- 1.5.7 2012/13 has been a transitional year in the development of the shared arrangements. Work performed during the year has allowed gathering of additional business intelligence on current ways of working within Internal Audit and Risk Management at each council, and more detailed examination of the benefits to be gained from shared working by both councils. Team members from both councils have supported this process, leading on a number of project workstreams, which will form the basis of detailed working practices for the shared team moving forward. However, it has become clear that to gain maximum benefit from the shared service, it is essential that we now move to greater integration and co-location of the teams, as the basis for delivery of a true shared service.
- 1.5.8 In 2012/13, cashable efficiencies have been planned for both councils from the shared arrangements (a saving of £0.129m was planned in the 2012/13 budget for NTC, while approximately £0.065m has been achieved in year for NCC). In addition, roles, responsibilities and assurance requirements at both councils have been reviewed, and the proposed reorganisation has been subject to detailed consultation with staff and Trades Unions (described further below). This review has identified further savings likely to save NCC approximately £0.250m per annum from 2013/14 onwards, whilst delivering an enhanced service to customers. Plans to realise these identified efficiencies within NCC are being put in place ahead of the final phase of the shared service.

Next Key Steps

- 1.5.9 Following extensive consultation with staff at both councils, and Trades Unions at a local and regional level, the reorganisation of existing services and final phase of the shared service can now be concluded. This will involve:
- (a) The reorganisation of the NCC Internal Audit and Risk Management team, which will deliver the cashable savings outlined above (paragraph 1.5.8);
 - (b) Once this reorganisation is complete, the co-location of the Internal Audit and Risk Management teams of both councils together at North Tyneside Council's Quadrant site, which has been fully costed and demonstrated to offer optimum value for money. This will also allow closer joint working between the two teams, considered imperative in the development of the shared service, and to maximise the resilience and other benefits which this will deliver to both councils;
 - (c) Closer alignment of the Internal Audit and Risk Management functions, allowing the development of a fully risk enabled approach to the Council's assurance activities. This will also mean a greater and more responsive flow of business intelligence between Internal Audit and Risk Management activities, helping to provide a better risk based focus to our overall assurance provision, and further embedding Internal Audit and Risk Management as a true partner to the business of the Council; and
 - (d) Allowing both councils to maximise opportunities presented by the shared service delivery vehicle. The shared service has tremendous potential to develop a first class centre of assurance excellence for the region. The greater critical mass of the combined service, and sharing of assurance knowledge and expertise, will also allow us to deliver an improved service to our wide range of customers.
- 1.5.10 Section 113 of the Local Government Act 1972 provides that where officers of one local authority may be placed at the disposal of another local authority – such as in a shared

service arrangement – there is a duty to first consult with these officers. The detailed consultation which has taken place with staff and Trades Unions has ensured that this requirement has been fully met. During the consultation, staff and Trades Unions at both councils have raised a number of issues, queries and comments with management. This has included detailed discussion of issues such as:

- (a) parity of grade and employment entitlements between the councils, and the associated legal implications thereto;
- (b) co-location;
- (c) questions on the respective control environments of the two councils, and the impact of this on assurance needs, structure, capacity and establishment;
- (d) job-fill treatment and related legal matters associated with effecting a shared service;
- (e) details of savings to be realised;
- (f) roles and responsibilities within the new shared service; and
- (g) potential future opportunities for the shared service arrangement.

All comments from staff and Trades Unions have been fully considered and evaluated in determining the final proposals, and all comments (at both councils) have received a formal written response.

1.6 Decision options:

Cabinet is recommended to note the information contained in this report, which presents an update on the previous decision of Cabinet regarding a shared Internal Audit and Risk Management service (13 February 2012). There are no other options identified.

1.7 Reasons for recommended option:

This will allow the shared Internal Audit and Risk Management service to progress in accordance with the decision of Cabinet on 13 February 2012, and the cashable efficiencies planned in the 2012/13 budget to be realised.

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 [minutes](#) CAB162/03/11.
- (2) [Report to Cabinet 'Shared Internal Audit and Risk Management Service between North Tyneside Council and Northumberland County Council' 13 February 2012](#) and associated [minutes](#) CAB151/02/12.

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 within NTC totalled £0.129m, and were included in the 2012/13 revenue budget proposals for the Internal Audit and Risk Management Service.

2.2 Legal

As set out earlier in this report, when entering into a shared service arrangement where staff of one local authority may be placed at the disposal of another local authority, Section 113(1) of the Local Government Act 1972 requires that there must first be consultation with these officers before any agreement is entered into between the two authorities concerned. The detailed consultation undertaken with staff and Trades Unions has ensured that this requirement has been fulfilled.

Under the shared service there will be no delegation of functions from one authority to another. The shared service relates to the placing of each Council's staff at the disposal of the other.

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. There has been detailed consultation with staff and Trades Unions, as described in this report, regarding the matters set out in this report.

2.3.2 External Consultation/Engagement

Discussions between the Council and Northumberland County Council have given rise to the proposals described in this report. There has been detailed consultation with staff and Trades Unions at NCC, as described in this report, regarding the matters set out 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. Detailed Equalities Impact Assessments have however been prepared for both local authorities, and will be kept up to date.

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

- Chief Executive X
- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager, Policy and Partnerships X