

## Bath & North East Somerset Council

DECISION MAKER:	<b>Single Member Decision</b> <b>Cllr David Bellotti, Cabinet Member for Community Resources and</b> <b>Cllr Paul Crossley – Leader of the Council</b>	
DECISION DATE:	<b>On or after 28<sup>th</sup> December 2014</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2731</b>
TITLE:	<b>Audit &amp; Assurance Partnership - Bath &amp; North East Somerset Council and North Somerset Council</b>	
<b>AN OPEN PUBLIC ITEM</b>		

### 1 THE ISSUE

- 1.1 To endorse the creation of a local authority partnership between Bath & North East Somerset and North Somerset Councils for the provision of its Audit & Assurance functions in accordance with the Co-operation Agreement approved by Cabinet in June 2014.

### 2 RECOMMENDATION

The Cabinet Member agrees:

- 2.1 The creation of a local authority partnership between Bath and North East Somerset and North Somerset Councils for the provision of its Audit & Assurance functions;
- 2.2 That the Strategic Director (Resources) is delegated authority to finalise the contract arrangements on behalf of Bath and North East Somerset Council;

### 3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The Council retains all existing authority to set its own budget for Audit and Assurance within these arrangements. This partnership takes account of existing MTSRP commitments and existing delegated budgets.
- 3.2 In addition a target saving of £30K per annum has been set from the arrangements to be reviewed on an annual basis based on additional growth.

### 4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 This proposal supports the delivery of the Medium Term Financial Plan and aligns fully with the Co-operation Agreement approved by the Cabinet on 11th June 2014.

## 5 THE REPORT

### Background

- 5.1 Following senior level discussions between Bath & North East Somerset (B&NES) and North Somerset (NSOM) Councils in early 2013 it was agreed that there should be a drive towards exploring shared service opportunities between the two Councils.
- 5.2 As part of these early deliberations and consideration of future senior management requirements for both organisations an immediate opportunity was identified in the sphere of Internal Audit, Information Governance & Corporate Assurance.
- 5.3 An interim role was therefore established of 'Joint Head of Audit & Assurance' for a 12 month period from September 2013 and the Divisional Director from B&NES was seconded into the role.
- 5.4 The scope of the role would be for a single officer to be shared equally across both Councils and take a lead role in managing the functions of Internal Audit & Information Governance within each Council.
- 5.5 The single role would be the only officer formally shared and the first 12 months would be used to identify whether there were benefits in extending the arrangements into a more formal partnership or continuing to retain a degree of separation between each organisation.
- 5.6 Whilst this role was in place, regular contact and meetings were held at a senior board level to explore further opportunities and progress was positive with a number of initiatives now underway.
- 5.7 This also led to a formal co-operation agreement for shared services between the two Councils being approved by the B&NES Cabinet and North Somerset Executive in June 2014.

### Summary of Outcomes from Pilot

- 5.8 As set out above the new joint working arrangement was to explore where possible the benefits of working together rather than as separate teams. Whilst not the same, broadly both teams had similar staffing and resource levels but differing strengths and weaknesses.
- 5.9 Therefore the emphasis was on working with both teams as one entity to identify opportunities to share and act as a single function. To do this required some cultural development as well as technical development and this has been primarily managed through joint workshops.
- 5.10 A series of workshops have been held, each with a different theme to build trust and confidence between the two teams. Both teams engaged positively in these sessions and all the work surrounding them, leading to a series of very positive outcomes as follows –
  - Single Vision & Values for future working;
  - Single Audit Management System (MKI) for both Councils;

- Single Audit Manual;
- Single Audit Report Template;
- Single Audit Brief Template;
- Single Quality Assurance Questionnaire;
- Single bids for Government transformation funding
- Sharing of Audit Programmes;
- Sharing of staff in trial areas including Business Continuity, Data Protection, Information Security and Business Rates.

### Barriers to Further Progress

- 5.11 Whilst the first 12 month period identified real positive outcomes, a number of further and significantly more beneficial opportunities were identified. These included –
- Growth & Income Generation
  - Training & Development
  - Performance Management
  - Cost Reduction
- 5.12 Progress to capture these opportunities is however limited whilst the existing model of separate teams and identities continue. Examples of these include –
- A separate traditional in-house model limits the ability to market the service to a wider area and to the wider public sector as there is no single identity to ‘grow’ the business. This inhibits the ability to generate more income and reduce overall costs on an ongoing basis for the benefit of both councils;
  - Keeping teams separate both structurally and organisationally rather than integrating staff into a single structure prevents clear management supervision and control from being effective and flexible to develop staff. This inhibits new opportunities for more flexible and innovative roles serving more than one council whilst investing in skills and development;
  - Separate terms and conditions for staff and retaining different organisational systems and standards prevent the integration of all systems into a single way of operating. This inhibits opportunities to improve quality and develop high standards of performance management and develop staff to learn from best practice;
  - Retaining separate budgets and systems of management control prevents the integration of budgets and opportunity to save costs. This inhibits the ability to achieve more straightforward cost reduction through the pooling of resources with one identity, i.e. for training, licences, subscriptions and travel.

- 5.13 In relation to Information Governance the ability to integrate is limited by the current disparity in resources between the two teams, systems employed and the model for service delivery. There would therefore not be an equitable share of risk and resources between the partners and whilst this limits full integration at this time, sharing of individual roles and access to knowledge and expertise has been successfully trialled and further options to extend this are under discussion.

#### Recommended Model

- 5.14 Options on models for future service delivery have been predicated heavily on the existing context of joint working between the two councils already outlined, positive feedback of the work undertaken so far and the co-operation agreement approved by both B&NES Cabinet and NSOM Executive.
- 5.15 The model which was assessed as the most effective in almost every area was the creation of a formal local authority partnership and to integrate the functions within such a model.
- 5.16 Key benefits of the local authority partnership model are –
- Improves opportunity for Cost Savings
  - Improves Capacity & Resilience
  - Improves Productivity & Skills Mix
  - Improves Flexibility of Resource Allocation
  - Improves Independence & Profile
  - Improves opportunities for Growth & Income Generation
  - Improves opportunities for Innovation
  - Improves career progression and personal development
  - Retains local authority and organisational knowledge
  - Retains an 'in-house' presence and jobs within the public sector
  - Ensures Professional Standards are complied with
  - Saves on procurement and related client/contract management costs
  - Groups related services whilst allowing future flexibility and choice
- 5.17 Following legal advice it was recommended to use a straightforward goods and services contract rather than a complex external delivery model for this arrangement.
- 5.18 Using this form of contract allows both partners to stipulate their requirements with the maximum amount of flexibility and no statutory constraints. This ensures a low cost set up and efficient low cost management of the partnership arrangements throughout the contract period

#### Contract Arrangements

- 5.19 The contract will be set out under the principles of each core partner having an equal stake and control over its arrangements and that it should be hosted by one partner, in this instance B&NES.
- 5.20 All staff will therefore be transferred to the host partner to enable the contractual duties to be carried out through a single integrated structure. Staff transfer can therefore be either by TUPE or through secondment and this will

be finalised as part of the contract details based on achieving the optimum outcome for the partnership.

- 5.21 The partnership will be flexible and allow for additional partners to join and additional services to be added as agreed by the founding partners B&NES and NSOM. If any additional full partner joins beyond the partnerships inception date then they will obtain an equal stake along with B&NES and NSOM.
- 5.22 Whilst the partnership will be hosted by B&NES and act as a traded cost centre it will be able to adopt its own identity to both emphasise some independence and also strengthen the partners' equal stakes and influence. The partnership will remain as part of the legal identity of B&NES and is not a limited company or other legal entity.
- 5.23 The premise of the arrangement will be on the principle of reducing bureaucracy and administration where possible so that the partnership does not become burdened with overhead costs and inefficiency.
- 5.24 Consultation with existing partnerships has identified that a medium to long term contract period would be the most beneficial option. It will also demonstrate a commitment by each partner to the current relationship and enable senior officers within it to plan benefits for the long term to ensure it is sustainable.
- 5.25 Taking these views into consideration it is anticipated that the contract period is for 5 years with a possible 2 year extension. There will be an annual review process to review progress and a suitable break clause included to allow each partner the ability to exit the arrangements if the partnership is not delivering on its expected outcomes.
- 5.26 Any partner wishing to exit the arrangement using this clause will need to give 12 months' notice and may be liable for any direct costs incurred by the partnership in arranging for that exit.

#### Partnership Management

- 5.27 Whilst the Partnership will have a lead officer, it will require a suitable governance vehicle to deliver this in practice. A Partnership Board will be established to support delivery and development of the arrangements. This board will enable each partner to be able to express their equal stakes and control in the arrangements and ensure their views are represented.
- 5.28 The Partnership Board does not replace any statutory or delegated authority in place within each Council as its primary purpose is to provide support and direction to the partnership. Examples of areas where it would exercise oversight would be -
  - Annual report of the partnership;
  - Periodic Performance & Financial Reports;
  - Overall Service Delivery Plan;
  - Business Development Plan;
  - Training & Development Plan;
  - Proposals to add Services or Partners or re-invest surpluses;

- 5.29 Existing service functions which are to be included within the partnership therefore report through to the Lead Officer in the delivery of their contractual responsibilities. The Lead Officer reports to the Partnership Board and is accountable to each partner organisation through its nominated client officer as well as the respective Audit Committee.
- 5.30 The Partnership Board in exercising its responsibilities should meet at least three times throughout the year and its membership should reflect the equal stake by each partner.
- 5.31 Membership of the Board should consist of one senior officer and member representative. The member representative is recommended to be the Chair of the Audit Committee enabling a route for escalation of issues from each separate Audit Committee as well as allowing a degree of assurance to be taken by each partner. The officer representative should be the S151 Officer of each partner.
- 5.32 Where the Board decides to formally vote on any specific proposal it is recommended that each partner has only one vote where decisions are required (i.e. only one voting representative per partner).
- 5.33 Individual Audit Committees of each partner are unaffected by this arrangement and continue in the same way as now receiving reports from the partnership on delivery of the service to that individual partner. In essence each partner should see no change to existing service provision.

### Resources

- 5.34 Each partner will contribute their existing budget for the services in scope into the partnership and the Head of Partnership will be responsible for preparing and managing the revenue budget on an ongoing basis.
- 5.35 The resources in B&NES are also supported by an external contract with the South West Audit Partnership (SWAP) which provides for full flexibility in the allocation of their resources. This contract is currently renewed on an annual basis and is used to support only the B&NES Audit service. It is planned to re-let these arrangements to SWAP again once the partnership is established to run for the length of the contract period. This will then provide all the partners the ability to access specialist skills and resources as are required which again offers further wider benefits to this type of arrangement.
- 5.36 The partnership as a whole is expected to be a more efficient operation and therefore has the ability to generate surpluses (savings). Where a surplus is generated, each partner obtains an equal share and it will be up to each partner to decide how to account for this.
- 5.37 The partnership is not able to make deficits (overspends), however in the unlikely event this occurs the partnership is liable to make up these deficits in the following year.
- 5.38 The partnership is able to maintain an investment reserve to use for specific purposes. This may include start-up costs, marketing, new system developments, and training and development initiatives. Each partner has an

equal share in this reserve if at any point the board recommends return of the reserve to each partner.

- 5.39 Billing for each partners' contribution would occur twice a year (April and October) for the respective contribution for the year. Financial support for the partnership will be provided by the host authority and regular financial reports will be reported in line with normal standards under the direction of the Head of Partnership
- 5.40 It is not recommended that partners need consider any further costs in relation to maintaining any form of client management arrangements. This is on the basis that the Head of Partnership is expected to perform the role of Chief Internal Auditor for each partner and ensure their interests are protected and respected. Each partner should however have a key officer for liaison and regular contact which is expected to be the same officer attending the partnership board, i.e. S151 Officer.

#### Partnership Development

- 5.41 The partnership will require a number of developments to occur for it to operate successfully, these include:
- Management of Staff Transfer Process;
  - Agreement of Partnership Name/Identity;
  - Business Development Plans;
  - Partnership Service Plans;
  - Performance & Risk Management Arrangements;
  - IT & Connectivity arrangements;
  - Training & Development Plans;
  - Partnership Support arrangements
- 5.42 Through the consultation process with key stakeholders these areas have been discussed and explored to test their future credibility. This will undoubtedly continue not just through the proposed Partnership Board but also through existing joint senior management meetings and the respective Audit Committees.
- 5.43 In summary there has been positive endorsement that these arrangements create a basis for the improved quality of an existing set of services whilst having to delivering significant savings. This will not be without its challenges but the opportunity to expand and grow the partnership in the future will only be to the benefit of North Somerset Council and the existing staff.

## **6 RATIONALE**

- 6.1 The recommended partnership will provide resilience and capacity within the Audit and Assurance service whilst delivering savings and new growth opportunities.

## 7 OTHER OPTIONS CONSIDERED

- 7.1 Alternative options for future service delivery have been discussed and considered including using existing regional partnerships, outsourcing or co-sourcing to an external provider or restructuring in-house. None of these options could deliver a single solution or at least not one within existing resources and consequently are no longer being actively considered.

## 8 CONSULTATION

- 8.1 Consultation has occurred at regular points throughout the last 12 months with the S151 Officers of both Councils and both Audit Committees on the joint working arrangements and specific proposals.
- 8.2 Staffs from both teams have also been actively engaged throughout the last 12 months, primarily through a series of joint workshops on working together and designing solutions to how we work together as a single team.
- 8.3 In addition the Cabinet Member, Chief Executive and Monitoring Officer have also been consulted. All of the key stakeholders have given their positive endorsement to the proposals and future plans for development of the arrangements

## 9 RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

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