

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
Shared Services Joint Committee	18 October 2010

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<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
Partnership Budget and Business Plan Proposals for 2011/12	N/A	G Barclay & S Guinness	

## SUMMARY AND LINK TO CORPORATE PRIORITIES

Although the results of the Comprehensive Spending Review are still to be announced the new coalition government has indicated that there will be substantial reductions in local authority funding from 2011/12.

The Finance and Assurance Shared Services Partnership is not exempt from these pressures and therefore at the last meeting we agreed to provide the Joint Committee with outline business planning considerations and a draft budget for the next financial year and beyond.

More detailed implementation plans will also be reported to the Joint Committee at this meeting in exempt session. These plans contain restructure proposals and will subsequently be submitted to the Executive Cabinets of both councils for consideration and approval in November.

Finalised arrangements including a Business Improvement Plan and Budget for 2011/12 will be reported to the Joint Committee in January.

The Partnership is seen as a key project by both Chorley and South Ribble Councils and makes a direct and extensive contribution to the following strategic objectives:

“Ensuring that **Chorley** Council is a consistently top performing organisation”.

“**South Ribble** is an efficient, effective and exceptional council”

## RECOMMENDATIONS

1 The Joint Committee is asked to note the content of this paper as the basis of compiling the draft budget and business plan for the Shared Services Partnership in 2011/12 for subsequent approval by the Executive Cabinets of both Chorley and South Ribble Borough Councils.

2 That the respective Audit and Governance Committees of both Chorley and South Ribble Borough Councils be requested to consider the corporate governance implications of the proposed structural changes to the Partnership.

## DETAILS AND REASONING

### Background

At the time of writing the results of the government’s Comprehensive Spending Review are still awaited but the planning assumption is to aim for a 20% reduction in budget in 2011/12.

Outline efficiency proposals for Shared Assurance Services and Shared Financial Services are summarised below.

### **Shared Assurance Services**

The anticipated year end budget out-turn for Shared Assurance Services in 2010/11 equates to £480k therefore £96k in savings would need to be found in 2011/12 to deliver the 20% target.

The Shared Assurance budget consists almost entirely of salary costs and so any proposals to reduce them will inevitably affect posts. The following paragraphs contain proposals for delivering the level of savings required.

#### Internal Audit

Internal Audit is a statutory service under Section 151 of the Local Government Act 1972. Its scope and terms of reference are also set out in the CIPFA Code of Practice for Internal Audit in Local Government. Internal Audit's compliance with the Code of Practice is subjected to a triennial review by External Audit.

Notwithstanding the statutory basis of Internal Audit and its need to comply with the CIPFA Code of Practice there may be scope to reduce the overall amount of Internal Audit coverage, subject to an assessment of risk and the approval of key stakeholders.

A number of national and local developments are now providing opportunities to reduce Internal Audit inputs. These include the abolition of Comprehensive Area Assessment including Use of Resources which will impact significantly on Internal Audit Plans. There has been considerable Internal Audit input to these areas in recent years both in terms of supporting the inspection process and in conducting audits in areas covered by the regime such as data quality.

Similarly the establishment of a common financial system for Chorley and South Ribble will also lead to reduced audit requirements.

We have estimated that the resulting "core" audit coverage could potentially amount to up to 20% savings in audit days which would equate to approximately £70k of the £96k budget saving required in 2011/12.

One option for achieving this target could be to delete the vacant posts which currently exist in the Internal Audit structure and remove the budget. At the moment the temporary savings arising from those vacancies have been recycled to support the audit plans by purchasing audit resources from an external service provider. The core audit would lead to this being significantly curtailed.

The vacancies which currently exist in the Internal Audit service amount to £80k per annum. It is proposed that £10k of this be retained to purchase computer audit resources from an external provider.

This cost reduction strategy has risks and would need the full endorsement of key stakeholders including the Statutory Officers, External Audit and the Audit / Governance Committees. For example an argument could be made that Internal Audit resources should not be substantially reduced at this moment in time given the anticipated reduction in external audit coverage and fees.

Such a reduction in Internal Audit resources could also lead to potential service viability issues which was one of the key drivers for establishing the Partnership originally.

However this could be addressed by operating the Internal Audit Service across a wider footprint and a feasibility study is currently in progress involving other Councils in Lancashire to provide a solution to this. This may also provide an alternative option for delivering efficiencies and budget

savings. **For this reason it is proposed not to produce a revised structure for Internal Audit at this stage.**

## Risk Management

If the above cost reduction strategy for Internal Audit was adopted a further £26k in saving would also need to be identified in the Risk Management aspect of the Shared Assurance budget in order to meet the overall 20% target reduction required.

The Risk Management function currently contains the following elements:

- Strategic Risk Management
- Emergency Planning Administration
- Business Continuity Planning
- Insurance Administration

It is felt there is little scope to reduce head count in emergency planning, business continuity or insurance due to their statutory / mandatory nature and also because the existing resources are already operating at full capacity to deliver the level and standard of services required.

At the moment of writing we are currently preparing for a major exercise to tender and renew the insurance policies for both councils. Additionally there are developments nationally to establish alternative insurance options for local authorities including collaborative procurement arrangements, which could potentially deliver savings in insurance premiums. We will be actively exploring all the options with our brokers but any savings will only be realised from 2012 onwards.

However some scope may exist to reduce inputs to strategic risk management on an ongoing basis. Over the last year or so the Risk Management team has been working closely with the Policy Units at both Chorley and South Ribble in order to align and streamline the strategic risk and performance management processes which were hitherto separate. This has culminated in more efficient data collection and reporting processes and a consequential reduction in the staff time required to maintain systems and processes. This could potentially deliver the additional savings required in Assurance but requires further detailed appraisal. As mentioned earlier in the report the potential creation of a wider Internal Audit service within Lancashire could, for example provide opportunities for that to happen.

**Again for these reasons we are proposing not to revise the Risk Management structure at this stage.**

## Shared Financial Services

Similar issues exist within the Shared Financial Services environment. The need to consider focusing on core activity and to do things more efficiently are paramount, if a significant saving is to be achieved. A 20% reduction would equate to just around £250k.

For these reasons a route and branch review has been undertaken using the following approach:

- What is the core services and what resources are required to deliver it and how does it reflect the changes being made at each council?
- What will be the impact of implementing common process through the introduction of a common financial system?
- Are there any opportunities to merge services with other shared services which may be being considered and delayer some of the management structures?

The review has now been completed and the conclusions are as follows:

- Some element of the core services which comprise financial accounting, budget management and financial advice need re-engineering.
- The impact of the introduction of a common financial system is significant and present opportunities for savings through the introduction of:
  - Electronic processes to replace labour intensive manual processes eg journal processes, invoice chasing.
  - Self service functionality
  - Improved and more flexible reporting facilities.
- Opportunities also exist to reconstruct the Exchequer Service particularly around establishing common processes of income management and to consider merging some elements of the service into existing and other structures, this again provides opportunities for savings.

None of these proposals are without risk in terms of its impact on service delivery. But the emphasis will be on protecting the statutory and core services that we need to provide and re-engineering other necessary services which can be done differently and more efficiently.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of the following:

<b>FINANCIAL</b>	The above proposals are aimed at delivering the necessary savings from 2011/12 and beyond whilst maintaining service levels and quality required by the host authorities.		
<b>LEGAL</b>	The Shared Services Joint Committee, established under Section 101 of the Local Government Act 1972, provides the overall governance for this with its terms being set out in an Administrative Collaborative Agreement which has been signed by both Councils. Sound business planning and financial management arrangements are required to enable the Shared Services Joint Committee to effectively fulfil its obligations.		
<b>RISK</b>	A dedicated Risk Register has been produced in order to identify and mitigate the risks associated with the development of the Partnership. A revised version of this will be incorporated in the Business Improvement Plan presented to members in January.		
<b>OTHER (see below)</b>			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>