

SUPPLEMENTARY 2



THE CABINET

Tuesday, 14 February 2012

Agenda Item 5. Supplement to Budget Framework 2012/13 - Call-in of Savings Proposal (Pages 1 - 21)

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CABINET**14 FEBRUARY 2012**

This report is submitted as a supplementary paper to Agenda Item 5. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order to avoid any delay in the consideration and implementation of the proposed arrangements.

Title: Supplement to Budget Framework 2012/13 - Call-in of Savings Proposal	
Report of the Leader of the Council	
Open	For Decision
Wards Affected: None	Key Decision: No
Report Author: Stella Manzie, Chief Executive	Contact Details: Tel: 020 8227 2789 E-mail: stella.manzie@lbbd.gov.uk
Accountable Divisional Director: not applicable	
Accountable Director: Stella Manzie, Chief Executive	
Summary:	
<p>This report outlines the decision of the Public Accounts and Audit Select Committee (PAASC) to uphold a Call-in of the Cabinet decision of 14 December 2011 regarding the Budget 2012/13 to 2014/15, specifically the proposed deletion of the post of Divisional Director of Assurance and Risk Management.</p>	
Recommendation	
<p>The Cabinet is recommended to confirm its previous decision to delete the post of Divisional Director of Assurance and Risk Management as part of the budget savings for 2012/13.</p>	

1. Introduction and Background

- 1.1 At its meeting on 14 December 2011, the Cabinet approved a range of savings proposals aimed at assisting the Council to achieve a prudent and balanced budget position for 2012/13.
- 1.2 One of the savings proposals related to the deletion of the post of Divisional Director of Assurance and Risk Management, as part of the Chief Executive's senior management restructure, for implementation with effect from 1 April 2012.
- 1.3 This particular proposal was called-in by Councillors Twomey and Rodwell on 21 December 2011 (see **Appendix A**).

2. Proposal and Issues

- 2.1 The reasons for the call-in submitted by Councillors Twomey and Rodwell were as follows:

“Over the past 18 months a number of compliance issues have been brought to the attention of PAASC. There have been a number of examples relating to both actual and perceived policy and procedural lapses.

This culminated in a recent report to the committee where members expressed a wish to do a general review of compliance within the organisation – partly triggered by the number of “limited assurance” internal audit reports there have been.

The dilution of this function within officer employee roles will cause a regression of the overall risk and assurance levels currently achieved. Even though we have improved in this area over the last three years we have only managed to achieve a 56% total on substantial assurance.

In these times of severe cuts, savings and organisational change it is important to consider and protect our staff, members, customers and clients by having, and more importantly, implementing a clear risk mitigation strategy across the organisation.”

- 2.2 In support of the Cabinet’s proposal to delete the post of Divisional Director of Assurance and Risk Management, the report attached at **Appendix B** was presented to PAASC.
- 2.3 The PAASC considered the call-in request, the report at Appendix B, statements and questions and answers from the Deputy Leader of the Council (Councillor R Gill) and the Lead Member of the Call-in (Councillor D Twomey) and other councillors and officers present, and upheld the call-in. The draft (unconfirmed) minutes of the PAASC meeting are attached at **Appendix C**.
- 2.4 In upholding the call-in, PAASC recommended the Cabinet to rescind its decision and commit to maintaining the post of Divisional Director of Assurance and Risk Management for at least two years. PAASC did acknowledge, however, that in the event that it was necessary to achieve savings associated with this post it would support a proposal for a shared arrangement with another Council, along the lines of the arrangement with Thurrock Council in respect of the shared Divisional Director of Legal and Democratic Services role.

3. Options Appraisal

- 3.1 The full options appraisal in relation to losses of posts and their implications was carried out as part of the organisational review. The options available to the Cabinet in this matter are:

- 1) Uphold the recommendation of PAASC to retain or share the post; or
- 2) Confirm its previous decision to delete the post.

- 3.2 If the Cabinet were to uphold the recommendation of PAASC (option 1) it would be necessary to adjust the budget for 2012/13 to account for the costs of retaining all or part of the post, as this is not currently provided for. In the event that the Cabinet decides to confirm its previous decision (option 2), the Budget Framework 2012/13 report to the Assembly on 22 February 2012 is unaffected.

4. Consultation

- 4.1 The detailed savings proposals for 2012/13 and beyond, including those relating to the Chief Executive's organisation review into senior management structures, were presented to the Select Committees during October and November 2011, which provided an opportunity for both non Cabinet members as well as the public to contribute their comments. During the period two Leader's Question Time sessions were also held to afford the public opportunities to have their say about the proposals. In addition, there was general publicity and further opportunity to make comments via the News and on the Council's website. These comments were taken into consideration by the Cabinet at its meeting on 14 December 2011 when it approved the final savings proposals.

5. Financial Implications

- 5.1 The deletion of the post of Divisional Director of Assurance and Risk Management achieves a saving of £112,000 per year. Any one-off costs of redundancy are covered corporately.

6 Legal Implications

- 6.1 In accordance with the call-in provisions of the Constitution, the PAASC chose to refer the matter back to the Cabinet with proposals for an alternative course of action. It is for the Cabinet to decide whether to amend its decision in the light of the recommendations of PAASC or to confirm the deletion of the Divisional Director of Assurance and Risk Management post.
- 6.2 The Assembly has overall responsibility for approving the budget framework and will consider the full proposals for 2012/13 at its meeting on 22 February 2012.

Background Papers Used in the Preparation of the Report:

- "Budget Strategy 2012/13 to 2014/15" Report and Minutes, Cabinet 14 December 2011

List of appendices:

- Appendix A - Call-in Form (Cllrs Twomey and Rodwell) titled "Budget Strategy 2012/13 to 2013/14, and in that respect the proposed budget savings outlined in item CEX/SAV/01 relating to the CE's organisational review, specifically the proposed deletion of the post of Divisional Director Assurance and Risk"
- Appendix B - Report to PAASC, 17 January 2012, titled: Response to Call-in on Budget Strategy 2012/13 to 2013/14
- Appendix C - Minutes (unconfirmed) of PAASC 17 January 2012

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SCRUTINY CALL-IN	
Names of Members: (minimum of 2) (indicate Lead Member)	
Councillors Twomey (LM) and Rodwell	
Date of Cabinet:	14 December 2012
Item for Call-in:	
Budget Strategy 2012/13 to 2014/15, and in that respect the proposed budget savings outlined in Item CEX/SAV/01 relating to the CE's organisational review, specifically the proposed deletion of the post of Divisional Director of Assurance and Risk	
Decision of Cabinet:	
To approve the above proposal with effect from 1 April 2012	
Reasons for Call-in: (include supportive statement on additional sheet(s) if necessary)	
<p>Over the past 18 months a number of compliance issues have been brought to the attention of PAASC. There have been a number of examples relating to both actual and perceived policy and procedural lapses.</p> <p>This culminated in a recent report to the committee where members expressed a wish to do a general review of compliance within the organisation – partly triggered by the number of “limited assurance” internal audit reports there have been.</p> <p>Compliance and assurance have been identified by CMT as a corporate risk, yet the CEO has decided to remove the Assurance and Risk post in the savings proposals.</p> <p>The dilution of this function within other employee roles will cause a regression of the overall risk and assurance levels currently achieved. Even though we have improved in this area over the last 3 years we have only managed to achieve a 56% total on substantial assurance.</p> <p>In these times of severe cuts, savings and organisational change it is important to consider and protect our staff, members, customers and clients by having, and more importantly, implementing a clear risk mitigation strategy across the organisation</p>	

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PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

17 January 2012

Title: Response to Call-in on Budget Strategy 2012/13 to 2014/15	
Report of the Leader of the Council and Cabinet Member of Finance and Education	
Open report	For Decision
Wards Affected: None	Key Decision: No
Report Authors: Stella Manzie, Chief Executive Tracie Evans, Corporate Director Finance and Resources	Contact Details: Tel: 020 8227 2789 E-mail: stella.manzie@lbbd.gov.uk
Accountable Divisional Director: N/A	
Accountable Director: Stella Manzie, Chief Executive; Tracie Evans, Corporate Director Finance and Resources	
<p>Summary:</p> <p>This report details the response of the Cabinet Members to the reasons given for the call-in of the proposed deletion of the Divisional Director of Assurance and Risk post which formed part of the savings proposal CEX/SAV/01 contained within the 14 December 2011 Cabinet report - Budget Strategy 2012/13 to 2014/15 and focuses on:</p> <ol style="list-style-type: none"> 1) Acknowledging the concerns of the call-in which relate to: <ul style="list-style-type: none"> • Reduction in senior level resource dedicated to Risk and Assurance and Compliance issues. • Limited assurance audit reports and policy and procedural breaches. • Red-rating of the Compliance (CR6) risk identified on the risk register. 2) Explaining the approach to making the recommendation to delete the post of Divisional Director Assurance and Risk against the background of the financial pressures facing the Council. 3) Explaining the corporate frameworks on risk in the Council. 4) Making a commitment to work with PAASC on the compliance review which will seek to reinforce management processes relating to policy and procedural compliance where needed. 	
<p>Recommendation(s)</p> <p>PAASC is recommended to dismiss the Call-in and let the Cabinet decision stand in the light of the assurances provided in the report.</p>	
<p>Reason(s)</p> <p>The recommendations are in line with the Council's objective of being a well – run</p>	

organisation, when considered against the balance of risks and challenges being faced against a diminishing financial position.

1. Introduction and Background

1.1 The Call-in, which this report seeks to address, relates to:

“Budget Strategy 2012/13 to 2014/15, and in that respect the proposed budget savings outlined in item CEX/SAV/01 relating to the CE’s organisational review, specifically the proposed deletion of the post of Divisional Director of Assurance and Risk and the decision to approve the above proposal with effect from 1 April 2012.”

The reasons for Call-in are as follows:

“Over the past 18 months a number of compliance issues have been brought to the attention of PAASC. There have been a number of examples relating to both actual and perceived policy and procedural lapses.

This culminated in a recent report to the committee where members expressed a wish to do a general review of compliance within the organisation – partly triggered by the number of “limited assurance” internal audit reports there have been.

The dilution of this function within officer employee roles will cause a regression of the overall risk and assurance levels currently achieved. Even though we have improved in this area over the last three years we have only managed to achieve a 56% total on substantial assurance.

In these times of severe cuts, savings and organisational change it is important to consider and protect our staff, members, customers and clients by having, and more importantly, implementing a clear risk mitigation strategy across the organisation.”

1.2 The decision to recommend the deletion of the post of Divisional Director Risk and Assurance came forward during October 2011 as part of a second phase of Chief Executive’s Organisational Review, designed to respond to the extent of the Council’s budget challenge which has been to find savings of £8.8m in order to set a budget for 2012/13. A first phase review was taken to Cabinet on 23 August 2011. The proposed deletion of seven Divisional Director posts was presented in budget saving pro forma CEX/SAV/01 published on the Council’s website, along with other saving pro formas, on 25 October 2011 and presented to the Public Accounts and Audit Select Committee on 2 November 2011 - the pro forma CEX/SAV/01 is attached at Appendix 1. The Cabinet report of 14 December 2011 on Budget Strategy 2012/13 to 2014/15 included for decision all the savings options being put forward to ensure that the Council can present a balanced budget at its Budget Setting Assembly on 22 February 2012 - the schedule of savings options is attached at Appendix B.

1.3 In summary the concerns of the call-in focus on whether the removal of this senior post with a clear focus on assurance of risk will be a major impediment to delivering the Council’s responsibilities for managing risk and ensuring that the whole organisation complies with legal, financial and corporate policies.

2. Proposal and Issues

2.1 The management of the Council's risk takes place in two ways. The first is through the day to day operations and decision-making of Council business and its normal management processes and the second is through its corporate risk governance mechanisms. Both of these are important but it is the normal day to day decision-making and operations which have the biggest impact on the risks we have to manage.

2.2 The call-in is quite correct in its reference to some procedural breaches and to the concerns about the number of audit reports with limited assurance. The issue is how best to ensure these breaches do not happen and that audit reports find higher levels of procedural compliance in the future. The Chartered Institute of Public Finance and Accountancy (CIPFA) Self Assessment Checklist describes the "key features of effective arrangements for Risk Governance" as:

- A high level mandate and commitment to risk management from senior managers and those charged with governance
- Integration with the governance framework with a clear golden thread.
- Accountability at all levels
- Transparency of activities and key information
- A clear strategy for the management of risks when working in partnership and integration with wider governance arrangements.

The Self Assessment Framework also makes reference to the CIPFA/Society of Local Authority Chief Executives good governance framework for local government.

2.3 All Members are aware of the financial challenges facing the Council. There has been clear political guidance that in making the reductions being forced on the Council by the Coalition Government's policies, reductions in posts need to take place, not just at middle and front-line staff level, but also at the senior level. This is for the following reasons:

- The relative costs of individual senior manager posts.
- The need to avoid too much cost being concentrated in top level management.
- The importance of all staff understanding that post reductions are fairly distributed up and down the organisation.

2.4 Having been asked to look at the distribution and number of senior management posts, the factors which we took into consideration in making our recommendations were:

- Impact on the operation of front line services
- Impact on the corporate operation of the Council to include support to Members, reputation, governance etc
- Relative levels of risk created by different options
- Comparisons with other local authority models based on current structures in London and elsewhere, and previous experience
- Timing and stage of development of different services

- Where else in the Council could or should the functions currently carried out by that, be placed?

It should be appreciated that in all cases these were structural and managerial considerations which were nothing to do with the quality of the individual occupying those posts.

2.5 Based on the above factors our conclusions in relation to the proposed deletion of the Divisional Director Assurance and Risk were as follows:

- (a) There are three senior officers who have statutory responsibilities which relate to the management of risk. They are the Chief Executive (Head of Paid Service), Corporate Director Finance and Resource (S151 Officer) and Divisional Director Legal and Democratic Services (Monitoring Officer). This is where the key responsibilities for the corporate governance of risk are.
- (b) Every manager and team leader has responsibilities for the management of risks and compliance both in relation to corporate procedures and those specifically relevant to their service.
- (c) It is unusual to have a post at Divisional Director level (i.e. second tier beneath the Chief Executive/Director level) with only this breadth of responsibilities. The norm would be for Internal Audit to be headed at Group Manager level and report either to the Divisional Director Finance (or equivalent) or to the Director of Finance. (That is not to say there will not be other models of course). The reasons for Barking and Dagenham having a Divisional Director post at this level in recent times are well understood and look well-judged and appropriate for their time, given a pressing need to put in place risk based structures over the last three years. The post-holder has done a terrific job in working with PAASC to raise that profile. However, given both the standing requirement for all managers to be accountable for their service including risk management and the pressure on staffing resources, there is a strong argument that a post at this senior level, is no longer essential.
- (d) In making choices about which Divisional Director posts to delete there are significant risk factors to take into consideration in relation to all the other posts at that level e.g. in Adults and Community Services or Children's Services. Clearly our first risk priorities are children and vulnerable adults and the operation of those services. The Divisional Director post reductions proposed have therefore inevitably impacted disproportionately on the more corporate posts (not just Risk and Assurance, but also Assets and Commercial Services, Customer Services and ICT and Policy and Public Affairs) in order to guard the management structures which have been designed to safeguard more serious operational risks.
- (e) While the deletion of the Divisional Director post for Risk and Assurance does mean that there is no dedicated post at that level looking at risk, there are no obstacles to the redistribution of the functions managed by the post. As indicated above:
 - It is the norm for Internal Audit to report either to the Divisional Director or Director of Finance and it is proposed to be located with the Divisional Director for Finance.
 - Insurance and Risk Services are being relocated to be managed by the GM Treasury and Pensions in Finance

- Whistleblowing and Fraud issues will be reported directly to the Director of Finance and Resources
 - A decision had already been taken to move corporate complaints to the Policy and Public Affairs function.
- f) In terms of the extremely important role of servicing the Public Accounts and Audit Select Committee, the lead role for this is already allocated corporately to the Corporate Director Finance and Resources. This will continue, with further support from the Chief Executive and the Divisional Director Legal and Democratic Services, along with the usual Scrutiny support. Work on specific projects will come from different parts of the Council depending on the subject. This is a departure from the previous arrangements where support to service reviews was almost exclusively provided directly from the scrutiny officers based in Democratic Services. Making use of Directorate officer expertise and resources within the wider Council will increase the capacity and support that PAASC and other Select Committees can reasonably expect. So for example work on the review of compliance could come from a contribution of Internal Audit, Corporate Policy and Human Resources depending on the direction it takes. It will be the responsibility of the statutory officers to make sure this happens effectively. These changes will also enable the Monitoring Officer and the Scrutiny Team to provide enhanced support to PAASC generally and specifically on Constitutional and compliance matters.

2.6 The call in raises the perceived contradiction of there being a red risk on the corporate risk register (ref CR6) in relation to compliance while making the proposal of deleting the Divisional Director Assurance and Risk. However, each corporate risk has a rolling action plan behind it and each risk is allocated to a Divisional Director depending on their expertise and service areas. Mitigation steps in relation to compliance which have already been put in place include management sign off of the Annual Governance Statement, a risk-based Internal Audit programme, an unqualified opinion on the Accounts, results of various inspections and reviews. There are other issues which need to be implemented including a compliance strategy, risk and compliance training for appropriate officers and members, reference to risk and compliance in appraisals and general process improvements. All these will be under review as part of PAASC's review of compliance and the CR6 Compliance risk action plan itself needs review. In terms of implementing that revised plan these responsibilities will be taken forward by CMT led by the statutory officers. While of course there will be an impact with the loss of the Divisional Director Assurance and Risk post as there will be with every removal of senior management capacity at this level, it will be possible, given the recent improvements implemented as a result of the work of this Divisional Director, and the higher profile of risk within the organisation, to improve compliance without that post. Therefore we do not see it as contradictory.

Conclusions

2.7 As mentioned earlier, the approach to risk management has partly to be through operational services and partly through corporate governance structures. In terms of ensuring day to day compliance with policies and procedures this is already part of managerial responsibilities and given the concerns about compliance with some procedures and in some parts of the organisation, this will be the object of

discussion in the PAASC review. In relation to the corporate governance frameworks, these have been the subject of considerable discussion by PAASC but are outlined below. These frameworks will continue to be, as they are now, the responsibility of the three corporate statutory officers.

- 2.8 Thanks to the good work of the Corporate Director of Finance and Resources and the Divisional Director Risk and Assurance the Council has a solid Risk Management Framework (currently undergoing some rolling revisions). The Chief Executive is the Risk Champion at an officer level. It is proposed that the Cabinet Member Finance and Education is the Risk Champion within the Cabinet. PAASC clearly carries the role of monitoring and scrutiny of risk within its responsibilities.
- 2.9 Within the Risk Management Framework there is a corporate risk register and there are risk registers in every Directorate. These are reviewed on a monitored cycle in each Directorate and at the Corporate Management Team. PAASC most recently received quarterly updates in November 2011. Each Cabinet Member has political responsibility for risks in their portfolio and this is being made more explicit in the Risk Management Framework.
- 2.10 The Divisional Directors within the Council focus quarterly on risk, most recently in December 2011 when they looked collectively, with the Chief Executive, at the risks relating to the Council's goal of being a well-run organisation and its three key objectives of Raising Household Incomes, School and Post 16 Education and Housing and Estate Renewal. This was facilitated by the Divisional Director of Risk and Assurance and the Group Manager Internal Audit.

3. Options Appraisal

As mentioned in the body of the report a full options appraisal in relation to losses of posts and their implications was carried out as part of the organisational review.

4. Consultation

Select Committees considered savings proposals for 2012/15 including those relating to the Chief Executive's organisation review into senior management structures during October and November 2011 which provided an opportunity for both non cabinet members as well as the public to contribute their comments. In addition during the period two Leader's Question Time sessions were held to afford the public opportunities to have their say about the proposals. There was also general publicity and further opportunity to make comments via the News and on the Council's website. These comments will be taken into consideration as final proposals are prepared for consideration by Cabinet in February 2012.

5. Financial Implications

- 5.1 The financial implications of deleting the post of Divisional Director Risk and Assurance are that savings will be made of £118,500 per year. Costs of redundancy will be covered corporately.

6 Legal Implications

This report is prepared in response to a call-in. In accordance with the terms of the

Constitution in relation to the Call-in procedure the Select Committee, having considered the contents of the report and the representations made, have two options available seeing that the issue at hand does not involve Council policy. These are:

- (i) Dismiss the Call-in and let the Cabinet decision stand, or
- (ii) Refer the matter back to the Cabinet with proposals for an alternative course of action.

In event of (ii) above, and on the basis that Cabinet rejects any alternative proposals, then the matter will be referred to the Assembly as part of the final budget strategy.

7. Other Implications

Contractual, Staffing, Customer Impact, Safeguarding Children, Health, Crime and Disorder and Property/Asset Issues

The report addresses issues about choices in relation to post reduction and management of risk in relation to contractual, customer impact and safeguarding children issues. Skills issues including the redistribution of functions and staffing issues are also covered in the report. There are only minor property and asset issues related to release of space or moving office locations.

Background Papers Used in the Preparation of the Report:

- Budget Pro formas published on the Council's public website on 25 October 2011
- "Budget Strategy 2012/13 to 2014/15" Cabinet Report and Minute 14th December 2011

List of appendices:

Annex 1 - Savings pro forma CEX/SAV/01

Annex 2 - Full Schedule of Savings Options 2012/13 - 2014/15 presented to Cabinet on 14 December 2011 (**Note:** Not included for the purposes of this Call-in referral).

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SAVINGS OPTION 2012/13 to 2014/15

Reference:
CEX/SAV/01

1

DEPARTMENT / DIVISION / SERVICE AREA:	Chief Executive - Corporate
DESCRIPTION:	Chief Executive's Organisational Review – Senior Management Structures
SERVICE COST CENTRE(S):	Various

2

Final Approvals - This document requires the following approvals:

Name	Title	Date	Approved (Yes/No)
<i>Jo Moore</i>	Finance Manager	21.10.11	Yes
<i>Not applicable</i>	Divisional Director		
<i>Stella Manzie</i>	Corporate Director	21.10.11	Yes
<i>Cllr Liam Smith</i>	Portfolio Holder	21.10.11	Yes

3

ESTIMATED SAVINGS								
Year	In-Year Budget Change	Cumulative Total Savings	Detailed Breakdown of Savings					
			<u>£ 000's</u>	<u>£ 000's</u>	<u>Employees</u> <u>£000's</u>	<u>Transport</u> <u>£000's</u>	<u>Supplies</u> <u>£000's</u>	<u>Other</u> <u>£000's</u>
2012/2013	(£1,051)	£1,051	£1,051	0	0	0	1,051	GF
2013/2014	(68)	£1,119	68	0	0	0	68	GF
2014/2015	0	£1,119	0	0	0	0	0	GF
Ongoing	0	£1,119	0	0	0	0	0	GF

* Indicate source as applicable: GF (Revenue) / DSG (Dedicated Schools Grant) / HRA (Housing Revenue Account) / CAP (Capital)

If your proposal will affect more than one source of funding, please give details below:

N/A

4

What Savings will be achieved?

Salaries - numbers of posts, grades, current total number of FTEs and saving proposed as a % of total staffing for the service

The Chief Executive has undertaken a review of the senior management structure of the Council alongside the mainstream proposals which have come forward from Directorates. The proposal is that the current number of Directors (4) should be retained given the requirement for senior leadership capacity to address the challenges currently facing the authority. However it is proposed to reduce the numbers of Divisional Directors from 20.5 to 13.5, a reduction of 7 posts (33%), four in the corporate management areas of the authority, with a view to limiting the immediate impact on direct services. This would however stretch capacity in those corporate areas. The proposals include proposals to move some postholders into Elevate, which are subject to negotiation and, with the exception of the DD Assets and Commercial Services are dealt with in service areas.

The proposed Divisional Director post deletions would be as follows:

- Assurance and Risk
- Assets and Commercial Services
- Children's Services – merger between Education and Targeted Support
- Customer Strategy, ICT and Transformation
- Mental Health
- Policy and Public Affairs
- Public Health

In addition there would be reductions in the numbers of third tier managers (Group Managers) with reductions from 71 to 55, most have which have come forward from Directorates but 7 of which have come forward from the Chief Executive's Review (5 in phase 1 and 2 in phase 2 – the latter 2 accounted for in other services).

Premises (heating, lighting etc), supplies and services costs)

There are already plans to consolidate buildings and space requirements for council staff and these plans would accommodate these changes.

5

What impact (positive or negative) will the savings have on:

Achieving Council priorities and performance targets

These reductions would significantly impact on the Council's capacity but the intention is to preserve the Council's ability to achieve the Council's three main objectives in relation to Housing, Education and Increasing residents' personal income.

Support Services

- **Legal/Assurance/Risk**
- **ICT**- capacity would be affected by these proposals
- **Assets/Buildings** - capacity would be affected by these proposals
- **HR**
- **Finance** - there would be less capacity to manage risk and investigate fraud in the authority
- **Policy & public affairs** – capacity would be affected by these proposals

Equalities, Diversity and Community Cohesion

These arrangements would be taken forward in line with Council HR policies. Every effort would be made to avoid reductions having an impact on the targetting of policies to meet the aspirations of disadvantaged groups.

Customers & Service Users

Any immediate impact on service users has been limited by these proposals. However the long term capacity of the Council to respond to Government initiatives, modernise services through ICT and ensure coherent corporate working would be reduced. In Adults and Children's Services there would be a reduction in senior management capacity which could lead to a slowing down of some service change. However, both services will be looking at collaborative working with other authorities. In the case of Public Health we would seek to get the best solution possible from working across London Boroughs and collaboratively with the NHS.

6

A risk assessment must be carried out. What were the results?

There will be risks in terms of Council capacity to deliver and in terms of the monitoring of risk but we need to live within the resources we have available. We will take mitigating action against these risks by :

- Restructuring to distribute responsibilities appropriately

- Having some staff report direct to Corporate Directors
- Ensuring that where areas are transferred to more junior staff they are well supported by more experienced senior staff
- Being careful about the timing of these changes in some areas.

7

Are there any costs associated with achieving this saving:

- **Costs of redundancy**
- **Up front costs (e.g. invest to save)**
- **Resources to implement**

There will be significant redundancy costs and the Corporate Director of Finance will advise on the best way of funding these.

PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Tuesday, 17 January 2012
(6:09 - 7:22 pm)

Present: Councillor D Rodwell (Chair), Councillor A S Jamu (Deputy Chair), Councillor L Butt, Councillor J Channer and Councillor D Twomey;

Also Present: Councillor R Gill and Councillor J R White

Apologies: Councillor T Saeed;

102. Declaration of Members' Interests

There were no declarations of interest.

103. Call-In on Budget Strategy 2012/13 to 2014/15

The Select Committee convened to consider a call-in by Councillors Twomey and Rodwell of the Cabinet's decision at its meeting on 14 December 2011 to delete the post of Divisional Director Assurance and Risk Management as part of the preparations for the 2012/13 Council budget.

Councillor Twomey introduced the call-in and referred to the main reasons behind it, which included that:

- A recent CIPFA report had recognised that a strong Head of Internal Audit post was needed more than ever to ensure that Members received objective assurances
- He remained unconvinced that the Council was in a sufficiently robust position to delete the post
- The Cabinet had overlooked recognised best practice in that the Head of Internal Audit post should, at least, be at Divisional Director level
- Cabinet and the Chief Executive had not fully recognised the critical and unique nature of the position when deciding on its deletion
- The splitting of the position's responsibilities amongst the three statutory officers would be a major impediment to delivering the Council's responsibilities for managing risk and ensuring that the whole organisation complied with legal, financial, and corporate policies and provisions
- The Monitoring Officer was currently shared with Thurrock Council and therefore would be unable to dedicate sufficient time to the extra responsibilities
- The post should be reinstated under the "invest to save" initiative on the basis that it would pay for itself longer term through increased anti-fraud and compliance activity
- Improved compliance would result in less money being lost through poor performance and the potential for fraud, meaning less cuts would have to be made now and in the future
- Retaining the post was vital during the current organisational change

In support of the Cabinet's decision to delete the post as part of the Chief Executive's senior management restructure, for implementation with effect from 1 April 2012, the Chief Executive made the following key points:

- It was the role of the Chief Executive to assess risk posed to the whole Council with the key area of risk being the protection of children and vulnerable adults, which was why a greater proportion of the budget savings proposals were from the more corporate areas of the Council structure
- The corporate management team and Cabinet were confident that the new arrangements that would be put in place would be sufficiently robust
- The proposed approach whereby the three statutory officers would assume the overall responsibilities of the post would not weaken the Council's position
- Internal audit functions generally report to the Divisional Director of Finance (or equivalent) in comparable Councils
- The Council's Corporate Risk Register had been successfully embedded and senior officers were using it correctly
- It was the responsibility of all Council staff to ensure compliance and the Chief Executive had recently discussed issues of compliance and the Risk Register with Divisional Directors
- The recent work of the Divisional Director Assurance and Risk Management meant that the Council's compliance position had progressed very well in recent years and a sound risk framework was now in place
- The Council was faced with difficult choices in achieving savings of £10m for the coming year and any decision to reverse the savings proposal would require savings to be identified elsewhere. It was noted that the deletion of the post would achieve a saving of £112,000, and not £118,000 as stated in the report
- The proposal had been through proper scrutiny and the correct decision-making process had been applied throughout
- Additional safeguards were in place in that it had been decided that the Deputy Leader would assume the role of "Risk Champion" within the organisation.

In considering the cases put forward, the Select Committee made a number of additional observations which included:

- That an independent and solely-dedicated officer was needed to ensure the Council continued to make progress
- It had received a number of reports over the past year which detailed poor compliance and the deletion of the post could have a significant impact on raising standards
- Diminishing senior capacity at the present time of major organisational change could be detrimental, particularly in view of the extra responsibilities recently assumed by the Chief Executive and Corporate Director of Finance and Resources

The Chief Executive responded to the Select Committee's comments and reiterated that the arrangements that would be in place in the future would ensure that the Council had robust assurance, compliance and risk management arrangements in place.

Having considered the cases put forward both for and against the call-in, the Select Committee **agreed**:

- (i) To uphold the call-in and refer the matter back to the Cabinet with the following proposals for an alternative course of action:
 - a. That the Cabinet rescind its decision and commit to maintaining the post of Divisional Director of Assurance and Risk Management for at least two years as the preferred option, or
 - b. In the event that the Cabinet considered it necessary to achieve some level of savings associated with the Divisional Director of Assurance and Risk Management post, that a shared arrangement with another Council, along the lines of the arrangement with Thurrock Council in respect of the shared Divisional Director of Legal and Democratic Services role, be implemented.
- (ii) That the Chief Executive provide a report detailing all the responsibilities of the Corporate Management Team.

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