

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

16 DECEMBER 2010

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Corporate Finance & Management – Lead Cabinet Member – Terry Laing

FINANCE TASK AND FINISH EIT REVIEW

1. Summary

This review has followed the new procedure for Task and Finish EIT reviews. The scrutiny of this review was undertaken by the Arts, Leisure and Culture Select Committee. The conclusion of this review was presented to that committee on 24 November 2010. The comments of the committee on the review were all favourable, and all the recommendations were acceptable to, and agreed by, the Members attending.

2. Recommendations

1. The Internal Audit section is reduced in size and amalgamated with the Financial Planning section.
2. There is no change to the Risk Management and Insurance function at this moment in time. A further review of the function to be undertaken in 2012 when the Corporate Risk and Insurance Manager retires.
3. The Finance service's main focus will be strategic financial support, stewardship and direction to the Council and will rationalise routine functions which are not considered to add value. The service is restructured and reduced in size to reflect standardised and simplified procedures, removal of functions, and the impact of changes associated with financial planning and the roles and responsibilities of the Head of Finance & Assets and Head of Finance, Procurement & Performance.

3. Reasons for the Recommendations/Decision(s)

To produce efficiencies and improvement in the delivery of the Finance function.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to

prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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RECOMMENDATIONS

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DETAIL

1. The EIT review of Finance comprises of three elements, Internal Audit, Risk Management and Insurance and Finance. The first two elements are classified as part of the governance arrangements of the Council. The third element includes strategic forward planning and utilisation of the Council's financial resources.
2. The attached Task and Finish report for Internal Audit examines a number of options, and concludes with the recommendation that the proposed way forward is to reduce the numbers in the section by not filling vacancies. This will result in the Chief Internal Auditor not being replaced in July 2011 when he retires. Clearly there will be a need to fill the role and have a section lead. This will be accomplished by merging the section with the Financial Planning section, with the current Chief Financial Planner taking responsibility for managing both teams. The Task and Finish report explains how this change can be achieved in practice. The change will result in savings of £91,000 for a full financial year. This will not all be fully realised in 2011/12 with the Chief Internal Auditor retiring in July. In addition the new role of the Chief

Financial Planner will need to be assessed against the job evaluation criteria and there may be a cost implication to this.

3. The report on the Risk Management and Insurance section identifies that the establishment will be reduced to 6.2 fte's in December when one of its officers leaves and is not replaced. This is in comparison to an original establishment of 8.0 fte's. A reduction of 22.5%. In these circumstances it is not proposed to make any further reductions at this moment in time. The next financial year promises to be a turbulent one. It is anticipated we will need more focus on risk management and insurance during this period. In June 2012 the Corporate Risk and Insurance Manager retires. It is recommended that at this time a further review of this function takes place to determine whether any changes should occur. At the current level of savings proposed, the £91,000 compared to the total budget for Risk and Audit of £522,000 equates to 17%.
4. The report for Finance outlines the current service provision, changes impacting upon the service and performance. It outlines the need for increased financial stewardship and strategic financial advice and direction to the Council in the difficult financial climate.
5. The service will review processes, procedures and structures, consider co-location, eradicate practices which do not add value and reduce the establishment accordingly. The service currently operates with an establishment of 63 fte, has 5.7 vacancies and this is expected to reduce further in order to generate savings of £276,000. Detailed structures will be developed and these savings will be generated throughout 2011/12. This would generate a 15% saving, however, if the current efficiency target was taken into account, this would equate to a reduction of 24%.

FINANCIAL IMPLICATIONS

6. The report results in anticipated budget savings of £367,000.

LEGAL IMPLICATIONS

7. There are no legal implications.

RISK ASSESSMENT

8. Assessed in the low-medium category that is managed by everyday controls.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

9. No implications.

EQUALITIES IMPACT ASSESSMENT

10. An assessment has taken place resulting in a score of 70. Further details are available upon request.

CORPORATE PARENTING

11. No issues arise from this report.

CONSULTATION INCLUDING WARD/COUNCILLORS

12. This review has been previously presented to the Arts, Leisure and Culture Committee. In addition staff and Trades Union consultation has taken place.

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