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**Commissioning Panel Proposal
2012-13 to 2015-16**

Risk, Audit & Fraud Divisional Proposals

Assistant Chief Executive – Tom Whiting

Portfolio Holder – Cllr Graham Henson

October 2011

Summary for Division

Policy and contextual change	
Context Change	Implications
Public Sector Funding	○ Manage the downsizing of corporate functions alongside their role in delivering the changes required, which is arguably when the need for support is at its greatest
	○ Higher risks during transformation need to be managed with less support
National Policy	○ The Welfare reform proposals create uncertainty over the future direction and purpose of the corporate anti-fraud team over the next few years
	○ The exploration of joint working efficiencies between local authorities presents new risks and opportunities
	○ The move to Academy schools status brings a variety of different challenges and service opportunities.
	○ Increased partnership delivery will influence the support services role across the organisation.
	○ Integration of public health services will impact on council services and the risks facing the council.
	○ Government requirements on information integrity means that increased scrutiny from the Information Commissioner's Office places heightened requirements to manage information risks

Customer insight and analysis

Stakeholder consultation and feedback is sought by all RAF service managers and the Divisional Director during any given year and used to adapt services to customer needs as far as possible.

Specifically in the past 12 months stakeholders have been consulted on :

- The internal audit plan
- Format of the management assurance exercise
- Corporate governance framework
- Assurance mapping
- The risk management process & future strategy
- Health and safety governance and support required
- Emergency and business continuity plans
- The insurance service level agreement
- Performance and stakeholder requirements of the Occupational Health Service

In addition, the Corporate Services fair held in September 2011 provided a valuable opportunity to enter into conversations with customers about the perceptions of the RAF services and their reaction to some of the options contained in this paper.

A general summary of feedback is that with the exception of the Occupational Health Service (which is as a result under review), all Risk Audit and Fraud services are considered to be value for money and high performing. This is lately also the case with the corporate health and safety service which historically has received criticism as a weaker function.

Stakeholders were particularly pleased with the responsive aspects of the services, i.e. support when things go wrong. Examples of this given at the fair were in relation to insurance (support for property fires and recovery), information management (support following potential data breaches including liaison with the Information Commissioner's Office), internal audit and corporate anti-fraud (response to potential financial irregularities or procedural breaches) emergency planning and business continuity responses.

Stakeholders found it difficult to express a view around the savings proposals because RAF services are perceived to be "there when we need them" rather than an integral part of business support, although there were some concerns raised around scaling back resources at a time when risks are increasing.

Cost and performance benchmarking

Various benchmarking exercises have been carried out in relation to the Risk, Audit and Fraud group of services. Consistently these benchmark favourably against neighbouring boroughs and pan-London. The teams compare favourably with that of the average and in some cases, such as Audit, Fraud and Emergency Planning services, they are significantly smaller teams than the London average.

In summary the following exercises have taken place across the teams:

CAFT – Benchmarking in 2010 through London Fraud Group, team is second lowest cost across London participants.

Internal Audit - PWC benchmarking review 2010 concludes service has low FTE compared to London average and suggests 300-400 additional audit days needed to compare with similar sized London borough although performance comparisons were favourable.

Health and Safety – Independent review from Coventry City Council 2010, Concludes service cost is expensive compared to similar sized authorities (this relates to salaries rather than FTE's), further benchmarking on overall spend has taken place with neighbouring boroughs and detailed discussions have taken place with Ealing (see proposals).

Occupational Health – benchmarked through a procurement exercise in 2009, which secured best value through a framework agreement, due for renewal in 2012/13

Information Management – Benchmarking with Ealing and Brent Council's 2011 and the pan-London information security forum. Team is average compared to London authorities.

Insurance - A 2010/11 benchmarking exercise demonstrated that Harrow's Insurance Service delivers a cost effective service that performs well against other local authorities. Public Liability claims account for the greatest proportion of claims received by the Insurance Service and analysis of claims data reveals that Harrow receives 6.5 of these claims per 1000 population with a cost of claims per 1000 population of £10,200. This compares favourably to benchmarked figures that show the corresponding average figures to be 7.7 and £18,200 respectively, thus leading to lower insurance premiums

Risk Management – benchmarking exercises with Ealing, Southwark and Camden confirms the service is consistent with best practice councils.

Civil Contingencies – Benchmarking with West London Alliance 2010 and specifically Ealing in 2011 and currently Barnet. Significantly lower than most authorities, 3 FTE compared to 10+ in some cases.

Overall outcomes for the Division

Given that the Risk, Audit and Fraud division mostly provides back office support services, the various teams collectively support the entire council to achieve its desired outcomes, deliver the corporate priorities and to take managed risks at all levels.

Through this commissioning approach the overall outcome is to support a successful transformation across the council within a budget that is sustainable in the current financial climate.

The outcomes from individual services will be:

- To support the management of strategic and directorate risks within a framework which is streamlined to meet the capacity available.
- Deliver an annual risk management strategy
- Developing and delivering a risk-based internal audit programme which “adds value”
- Supporting the provision of a new corporate governance model through an assurance mapping project
- Preparing fit for purpose and tested business continuity and major incident plans
- Identifying and taking action to maximise the council’s protection against fraud
- Working with directorates to support the improvement of health and safety, to protect employees across the council
- Protecting the council’s assets through a prudent and sustainable insurance programme
- Supporting the management of information risks to avoid security breaches and to protect confidential information

Divisional Proposals:

The Risk, Audit and Fraud proposals are broken down into service areas, as follows:

Corporate Anti-Fraud Team (CAFT)

The service budget principally consists of salaries costs for the team. The proposal is to shift the emphasis of the workload to focus on increased income through the Proceeds of Crime Act and other income. This work commenced in the current year through a joint agreement with Brent Council and the proposal is to build on this incrementally over the next 3 years. Uncertainty exists over the future of local authority fraud functions following the government's welfare reforms and whether local authority fraud teams will be centralised into the DWP from April 2013. If this progresses it is not know how grant funding would be reduced in to the council to reflect this centralisation and this therefore adds to the uncertainty.

Internal Audit

The previous efficiency review agreed that two vacant internal posts would be appointed to and the remaining budget from a further two vacant posts would be set aside to fund co-sourcing arrangements with a partner organisation. In anticipation of the commissioning panels and in view of the recent transfer of the service from Corporate Finance to Chief Executive's, the outcome of the review has not yet been progressed, to secure options. The option proposed is to re-grade one of the vacant posts and to reduce the co-source budget by £16k. This would increase the current level of resources dedicated to internal audit services in the Council substantially in line with the previous review.

Health and Safety Service

This service is currently in the process of an efficiency review which will produce administrative efficiencies for 2012-13 and there is a second phase proposal to enter into joint working arrangements with Ealing Council from Spring 2012 which will create further efficiencies of 1 post. When this arrangement matures a further Adviser post is anticipated to be released from 2013-14.

Occupational Health Service

This is provided under contract which is due for renewal in September 2012. Procurement efficiencies are expected as a result of this,

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which may also involve reducing to one provider for both Occupational Health and the employee assistance service. In addition, there is scope to generate income through provision of this service to Academies and increased charges to other schools through a specific SLA for Occupational Health services. Alternatively, if Academies choose not to purchase an SLA the contract costs would reduce.

Information Management

This is a small team of 3, the budget for which is essentially salaries. Although the work of this team is much wider than IT data security, there are strong synergies between the work of this team with the IT client team and the option proposed is to merge the team with the IT client team, producing one FTE efficiency.

Risk Management Service

Following the risk, audit & fraud efficiency review in 2010, the agreed approach was to deliver the risk management support service through a co-sourced approach with a partner organisation. This proposed option is to reduce the current budget and absorb the risk management service into the performance management service as the two functions complement each other. There would be a smaller retained budget of approximately £40k for specialist or ad-hoc support on a co-sourced basis, or an in-house support officer resource.

Civil Contingencies

This is a small team of 3 dealing with business continuity and emergency planning. The preferred option is to merge this team with the insurance team, (as there are strong business continuity and emergency response links between the two functions). This would facilitate a service manager transition to a senior professional (to address spans of control requirements in both teams). In addition there is scope for joint working arrangements with Ealing Council which is anticipated to produce an efficiency of 1 FTE from the current emergency planning establishment.

Insurance

In addition to the above there are a number of potential areas to reduce costs. These range from further staffing efficiencies as a phase 2 to the current LEAN review efficiency project, potentially by transferring some of the front facing claims service into Access Harrow. There are also a number of modest opportunities to generate further income through SLA's with academies and /or commission for services provided to third parties.

The most potential however, arises out of the procurement of insurance policies in 2012/13 which is anticipated to produce savings and

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(subject to an actuarial review), reducing the level of contributions to the provisions through better cross-council risk management and also potentially increasing policy excesses to self-insure more of the risks. There are risks with this approach as the adequacy of insurance provisions has been an issue for the external auditors in the past. Therefore an actuarial review of the provision is planned ahead of this proposal being implemented.

Equalities screening has taken place recently for most of the Risk, Audit and Fraud services as they have previously been subject to service reviews. The proposals contained in this paper are a continuation of efficiency reviews and therefore the previous equalities exercises are still considered relevant.

There are two exceptions to this, namely the options in respect of the information management and civil contingencies functions. As a consequence screening tests have been specifically carried out on these options.

None of the screenings have identified any material equalities impacts as the suite of services are back office support functions supporting internal stakeholders.

What we'll stop doing/decommission by:

Where the risk audit and fraud commissioning options are around staffing reductions there will inevitably be a reduced level of service provided to customers through reduced capacity. This will usually manifest itself through lower levels of support rather than stopping or decommissioning specific services.

There are two notable exceptions to this which are contained in the division's current service plan.

1. Ceasing to deliver classroom based health and safety training in favour of e-learning tools, where this is appropriate.

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2. Through a new LEAN review gateway process, stop pursuing anti-fraud cases that are unlikely to succeed if presented to the courts (a more rigorous “go-no go decision process to avoid wasted resources on cases that are ultimately abandoned).

What Community Engagement will be necessary to deliver these proposals

Not applicable to Risk Audit & Fraud.

Divisional Proposals - Summary Impact Statement

Description of Service Change *	Savings/Cost of Service Change (£'000k)				Impact on Service Delivery	Risk Management	Other Impacts: <ul style="list-style-type: none"> • Performance • Equalities (including conclusions from initial EqlA's) • Workforce
	2012/13	2013/14	2014/15	2015/16			
CORPORATE ANTI-FRAUD TEAM							
R1 Proceeds of Crime Act – pursue recoveries of fraudulent gains in partnership with Brent, plus additional income recovery	20	20	19		Re-focus of service towards income potential caseload.	Implement LEAN gateway process to maximise successful cases pursued Risk that income is not achieved. Additional income will need to be delivered and recovered into the Risk Audit & Fraud budget otherwise one post would need to be deleted to deliver the savings, should the income targets not be achieved in any year. Risk of double counting income received in corporate finance, need to agree	

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						a different method of treatment.	
R2 <i>60% reduction in service in response to DWP Centralised benefit fraud service (subject to confirmation / detail)</i>		192			<i>Centralised benefit fraud service, corporate fraud retained</i>	<i>Uncertainty over reduction in general grant, which will reduce this saving (possibly to nil)</i>	
INTERNAL AUDIT							
R3 Regrade senior professional post	10				Reduced coverage of internal audit plan to meet resources available, i.e. continue as is and unable to expand in line with original expectations	Risk based audit planning Strengthened management assurance exercise	
R4 Reduce co-sourcing budget			16		Further reduction in scope and coverage of internal audit plan Possible increase in financial irregularities / system failures. Possible increase in external audit fees due to less reliance on IA	Risk based audit planning	
CORPORATE HEALTH & SAFETY SERVICE							

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R5 Delete administrator post as part of re-structure	26				Minimal impact		Administrative duties have already been re-distributed throughout the team
R6 Delete H&S co-ordinator post through joint service delivery with Ealing	28				Impact is anticipated to be minimal due to efficiencies of joint working	Failure to agree an approach for joint working	
R7 Delete H&S advisor post through mature joint service delivery with Ealing		42			As above	As above	Potential redundancy costs
OCCUPATIONAL HEALTH SERVICE							
R8 Net effect of reduced contract costs & increased SLA income – academies SLA	30				Minimal	Risk of failure to attract Academies to re-join the Occupational Health and H&S SLA's	
R9 Reduce cost of Contract through procurement / possible joint provision of	18				Possibility of reduced service response times if quality criteria are lowered to facilitate lower cost contract, e.g. management referral response	Procurement support	Workforce-wide service

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Occupational Health and Employee Assistance Programme through 1 provider (Contract due for renewal 1.4.12)					times		
INFORMATION MANAGEMENT TEAM							
R10 Merge IMT with IT Client Team, delete 1 FTE post	32				Reduced capacity.	Skills transfer	Potential redundancy costs
RISK MANAGEMENT SERVICE							
R11 Reduction in co-sourcing budget, possible merger with performance management.	36				Reduced support for risk management process	More self service for managers and directors	
CIVIL CONTINGENCIES TEAM							
R12 Merge civil contingency and		35			Reduced response capability i.e. lack of coordination of emergency response / business continuity plans in	Skills transfer between teams Joint arrangements	

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insurance teams, reconfigure service manager / senior professional arrangements and delete 1 FTE emergency planning post through joint working arrangements with Ealing					the event of an incident	between Harrow and Ealing to provide more response capacity Risk of not being able to deliver Ealing capability	
INSURANCE SERVICE							
LEAN review restructure efficiency (£25K in 2011/12)							
R13 Procurement saving on property & liability policies, due for 1.4.12	25				Minimal impact – based on favourable market with like for like cover		
R14 Reduced broker fees through more in-house handling and increased income on third party insurance schemes	4	2	3		Minimal impact, less reliance on external advisers. Income from SME's.		
R15 Reduce annual			330		Potential future under-funding of claims from provision leading to increased	Develop council-wide policies to mitigate claims costs e.g.	

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<p>contribution to internal insurance provision</p>					<p>contributions required in the future.</p> <p>Potential retrospective liabilities in respect of Municipal Mutual Insurance which would place additional calls on the provision.</p>	<p>highways maintenance, tree root management, vehicle accidents</p> <p>Robust claims management & management of liability risk exposures</p> <p>In order to test this proposal an exercise to establish its viability is being sought through the Council's insurance Actuary in the Autumn of 2011.</p> <p>A separate exercise in respect of potential liabilities resulting from the insolvency of Municipal Mutual Insurance is also being considered.</p> <p>It is anticipated that any under-funding of the provision as a result of this proposal would be slow to develop due to the</p>	
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						<p>long-term nature of liability claims.</p> <p>Regular (bi-annual) mini-actuarial reviews would be required on an ongoing basis to provide robust monitoring arrangements and (if necessary) provide early warning of inadequate provision.</p>	
R16		25			Minimal		
Future trading with Academies							
R17	100				Increased self-funding of claims which compounds the reduction of contributions risk above	<p>Develop council-wide policies to mitigate claims costs e.g. highways maintenance, tree root management, vehicle accidents</p> <p>Robust claims management & management of liability risk exposures</p>	
Increased excesses on property & liability policies with council-wide policy proposals to reduce claims							
R18		20			Minimal impact		

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Phase 2 restructure, reduce team by 1 FTE from claims handling transfer to Access Harrow / further LEAN efficiencies							
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Financials: baseline budget position

Division/Service Area	2010/11 Base Budget	Savings Made in 2011/12	2012/13	2013/14	2014/15	2015/16
Cumulative savings		35	329	473	841	0
Target level of saving					998	