

Agenda Item No: 9
Report To: **AUDIT COMMITTEE**
Date: **26 SEPTEMBER 2013**



Report Title: **Mid Kent Audit Partnership –
Evolution to ‘One Team One Employer’
Covering Summary**

Report Author: Paul Naylor, Deputy Chief Executive (covering summary)

Summary:

For several years the council’s internal audit service has been provided in partnership. From 2005 to 2010 with Maidstone BC (with MBC providing operational management), and then from 2010 as part of the four-council mid Kent audit partnership (again with MBC providing operational management). A strong and resilient service has been provided throughout, with the partnership developing a good reputation across the partner councils and externally. It was not set up as a single team under one employer, unlike most if not all other audit partnerships of similar size and coverage. Each council has continued to act as employer for its staff who work within the partnership. This limits the real flexibility and opportunities that a single focus could achieve. This report (in two parts) discusses the pros and cons of converting the partnership to a ‘one team, one employer’ model, recommending this course be adopted subject to full consultation with and agreement by this council’s cabinet and the agreement of the other three councils.

The report is in two parts – both of which have been considered by the Joint Consultative Committee today (26 September). First, a covering report from the Deputy Chief Executive providing a client perspective from the council. Second, is a detailed report from the Head of the Audit Partnership.

It is important to emphasise that moving to a one team, one employer model would in no way alter the operational governance arrangement for the partnership. Each council is represented by a senior officer on this operational board, and it is this board that has oversight of the operational management on behalf of the four councils.

- Recommendations:**
- 1. The Audit Committee is asked to consider the two reports attached concerning the proposal to evolve the internal audit partnership to a 'one team, one employer' model and to agree the view it would wish be reported to the Cabinet when the matter is considered in October.**
 - 2. The committee is asked to note that the matter is the subject of full consultation with staff and their representatives across the four councils.**

Policy Overview: Internal Audit is a statutory requirement governed by the public sector internal audit standards. It is a requirement to have a strong and effective internal audit service. For several years this service has been provided in partnership and has worked well. The proposals are consistent with strengthening the service potentially making it even more resilient.

Financial Implications: Refer to the draft report to Cabinet attached.

Risk Assessment Issues of risk are covered in both reports. One of the greater risks is that in the individual councils in responding to council grant cuts develop strategies that inherently have greater risk. A strong internal audit service is therefore needed to contribute to risk assessments and risk mitigation. Evolving the current partnership model is seen as crucial to securing appropriate risk mitigations.

Equalities Impact Assessment To be completed prior to Cabinet. One of the particular existing issues that the current arrangement has is the disparity in terms of conditions for staff across the four councils.

Other Material Implications: Refer to the draft report to Cabinet attached.

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Internal Audit Partnership – its further evolution
Additional context/ covering report to JCC 26 September 2013

Report from Deputy Chief Executive

1. For some time Ashford BC's (ABC) internal audit service has been delivered in partnership with other councils.
2. In 2005 ABC moved from a directly provided service to a partnership with Maidstone BC (MBC), whose head of internal audit (Brian Parsons) then took on the management responsibility for both councils' internal audit services. Prior to this our service size was then small (at the minimum level of acceptability to provide assurance coverage) and its resilience was weak.
3. The two-way partnership and its management arrangement was a success and gave rise to improvements in audit coverage, working methods, resilience, and overall confidence (particularly with members with responsibility for governance, and our external auditors).
4. With the creation of the mid-Kent improvement partnership (MKIP) in 2010 the audit service was the first and only service to migrate to a four-way partnership (Ashford at that time being a founding partner to MKIP). The previous two council partnership was dissolved and the four councils' audit service brought under the Mid Kent Audit Partnership umbrella.
5. There were structural and redundancy implications at that time which affected two of the other councils, but not Ashford as we had made management changes previously. Brian Parsons was appointed to lead the four-council arrangement.
6. Despite differences in terms and conditions the four councils agreed to retain their individual employment arrangements for each of the four teams. However, across the partnership staff were to perform similar roles, to similar standards, be structured for management purposes in two teams (hence ABC and TWBC share an audit manager), and be encouraged to participate in audit work for the other council in the team.
7. Though far from ideal for true and effective partnership working this was a pragmatic arrangement that has worked, but not without its problems. As well as maintaining terms and conditions of employment of each individual council, the partnership manager and his audit staff have to observe the various operational and management arrangements that services generally must follow in each of the councils. There would be a large range including personnel and financial arrangements. This has not been ideal and has created inefficiency and confusion. Other examples of similar size audit partnerships researched suggest the move to 'one team, one employer' is a move made by several from the outset.
8. The first service agreement runs until April 2015.

9. When, for our organisational strategic reasons, in 2011 ABC withdrew from the MKIP partnership it nevertheless made an exception about the audit partnership and reaffirmed its commitment (ABC also continued its commitment to the shared contingency and business continuity planning service with Swale BC, and more recently has adopted its new recycling contract in partnership with two of the MKIP councils, plus KCC). The commitment to the audit partnership has been maintained with an audit service now well established and maintaining good levels of performance and confidence.

Proposal to evolve to a 'one team, one employer' model

10. Although the current working arrangement has served the council well and its audit coverage and assurance levels have improved, the partnership arrangement, operationally and managerially, is not ideal. It is good at what it does and reflects well on the skills and work of the auditors, but inefficiencies and disparities exist and opportunities for the councils and staff are not optimised. This is not helped by management's lack of proper flexibility to manage and deploy resources efficiently and effectively, as individual council's terms and conditions do not adequately reflect this need. Retaining individual terms and conditions is in itself a disadvantage to fostering a true partnership ethos. The perception is one of shared management rather than genuine partnership working, where a culture and commitment to cross-fertilisation of knowledge, experience and skills and genuine team-working should develop.
11. From the staff perspective there will be some anxiety about a change to 'one team, one employer', but as discussed in the attached report from Brian Parsons the employment arrangements should provide the necessary assurances through protection of existing employment terms in line with current conditions of service. On the positive side a genuine one team approach should provide for greater staff skill and career development. This should work well for staff. It should also work for the councils as a partnership with the coverage of the size and variety of the four councils may be expected to attract skilled auditors at times of recruitment.
12. Over the last year or so, and now heightened by Brian Parson's planned retirement on 31 March 2014 the officer governance board (four senior officers including myself) has considered options for the future. It is a shared view the current structural arrangement contributes to hampering truly effective working, though structure alone is not the only issue.
13. Over the next few years the financial challenge will intensify, where even greater value for money and effectiveness must be achieved. Further, as is now happening in ABC, councils must adopt innovative approaches to fulfilling corporate aims. All of this is a developing context for staff and services. Our audit service needs to adapt just as any other and in a way that it may play more of a part to evaluate potential and risks, and help shape future solutions.

14. The officer board shares this view and proposes that the current model evolves to a 'one team, one employer' model as the platform for building the flexibility needed. Although not an immediate aim the transition to 'one team, one employer' is also a platform on which to build an ability to expand the reach of audit work beyond the four councils.
15. Further, as no extra overall resources are proposed, given the financial circumstances, a new approach is likely to mean a different balance between traditional auditing of internal controls and auditor involvement in value for money and risk assessments, and contributions to evaluating and shaping solutions to corporate aims. One example of this already here at ABC is the involvement by an ABC auditor in the Farrow Court project; there will be other needs linked to corporate projects, here and at the other councils.

Other options

16. A range of other options have been considered, including feedback and ideas from individual(s) from the audit team. The other choices for ABC are:
 - To withdraw from discussions and allow the other councils to move forward, and for
 - ABC to recreate a self-managed internal audit service, or
 - ABC to look to join another audit partnership, or
 - Outsource
17. After careful consideration of these options, and the points raised by the team, it is felt that recreating a stand-alone service possibly combined with fraud and risk, would be possible, but would risk recreating the issues of the past. A small audit team, while knowledgeable about ABC would lack resilience, would not achieve the dedicated quality assurance and audit management focus required of professional audit standards and which the partnership brings, and would lack the ability to utilise and learn from skills and experiences from other councils in the partnership.
18. Looking to join another partnership may be possible though only the East Kent partnership may offer any real scope. This is set up as a 'one team, one employer' model (Dover DC is the host) and would be unfamiliar.
19. Outsourcing is theoretically possible, but again would be unfamiliar, most likely for a small service would create added cost and client management issues, and involve transfer of staff with less certainty of protection over the long term.

Summary and conclusion

20. This paper summarises the opportunity to further evolve the audit partnership arrangement. It is a successful partnership that is widely acknowledged. However, although successful at having raised the performance and reputation of internal audit, it has operational and management weaknesses that do not lend it to optimum effectiveness and efficiency.

21. Most audit partnerships of similar scale have started from a point of creating 'one team, one employer' and this is now seen as the desired model for the mid-Kent audit partnership. While this would allow for more flexibility to deploy auditor skills and capacity across the partnership, a transfer to 'one team, one employer' would be conditional on there not being any detrimental impact for the principal terms and conditions of existing staff; this is important. By principal is meant pay and leave etc, as full effectiveness of one team would mean adoption of similar management arrangements covering aspects of personnel management (for example similar appraisal and performance management approaches).
22. Although Ashford formally withdrew from the wider MKIP partnership it maintained its commitment to the audit partnership. Alternatives to the proposed model exist, although have risks. Moving back to an individual audit service is not recommended due to scale, resilience, management, and skills implications that a small team creates.
23. In terms of handling Cabinet will be considering the proposal to move to a 'One Employer model' in October and if agreed over the next few months staff will be subject to formal TUPE consultation which will establish the details of their transfer.

PN (DCX)

Report To: CABINET
Date: 10 October 2013
Report Title: Mid Kent Audit Partnership –
Evolution to ‘One Team One Employer’
Report Author: Brian Parsons – Head of Audit Partnership



Summary: The Mid Kent Internal Audit Partnership, between Ashford, Maidstone, Swale and Tunbridge Wells, commenced on the 1 April 2010.

Since then all of the operational auditors have continued to be employed by their original employers, with their costs charged accordingly. Although the partnership has performed well, the current employment arrangements have a number of disadvantages and limit the ability to use resources flexibly and most efficiently.

The Officer Partnership Board, meeting on 6 August 2013 considered an ‘options report’ prepared by the Head of Audit Partnership. The report proposed that the employment arrangements be consolidated so that all staff are employed by the same employer. The reasons for doing this are set out in the report.

The Board agreed in principle that the process should commence to create a ‘one team – one employer’ employment model for all staff working for the Mid Kent Internal Audit Partnership.

It was agreed that the Head of Audit Partnership should prepare a report to the respective Portfolio Holder/Cabinet but that the report should initially be considered by the respective Management Team.

Recommendations: That the Cabinet agree:

1. That a ‘one team – one employer’ employment model be adopted for the Mid Kent Internal Audit Partnership.
2. That the employing authority for Mid Kent Audit will be Maidstone
3. The timetable for the transfer of staff to the new employer.
4. That the transfer take place under TUPE
5. That an amendment be made to the collaboration agreement to reflect the new employment arrangements.
6. That the partnership agreement be extended from 1 April 2014 for 5 years (therefore expiring 31 March 2019)
7. That delegated authority be given to a senior officer to agree any final changes.

**Financial
Implications:**

The financial implications of all of the recommendations are considered to be broadly cost neutral, however further work is ongoing in order to provide a more accurate estimate of the cost of the 'one employer' option.

**Other Material
Implications:**

The proposed changes to the employment arrangements will require that the formal staff consultation process takes place.

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Report Title: Mid Kent Audit Partnership – Evolution to ‘One Team One Employer’

Purpose of the Report

1. To provide the Cabinet with a timetable and a narrative for the creation of a ‘one team – one employer’ model for the Internal Audit shared service.

Issue to be decided

2. The Portfolio Holder is asked to agree that the Mid Kent Audit Partnership move to a ‘one team – one employer’ model.

Background

Mid Kent Internal Audit

3. The formation of the four-way Internal Audit Partnership between Ashford, Maidstone, Swale and Tunbridge Wells was agreed by the partner Councils in 2009/10. The shared-service formally came into existence on 1 April 2010.
4. The new partnership created immediate savings compared with the previous arrangements, which were in the region of 15% of the overall total cost of the combined previous audit budgets of the four Councils. Since that time further staffing reductions have reduced the combined budget by another 5%.
5. The savings were achieved by reducing duplication, particularly at the management level, making better use of audit resources, sharing systems, audit programmes and documentation and applying a more professional targeted and better planned approach to audit work.
6. Mid Kent Audit (MKA) put in place consistent audit systems and processes across the four Councils, ensured compliance with the statutory standards, raised the profile of Internal Audit and improved the effectiveness of the service.
7. The service provided by Mid Kent Audit covers a broader governance remit than simply Internal Audit. MKA has also has the role of facilitating the risk management process across the four Councils and has been proactive in providing support, including training, to the respective Audit Committees as well as making a contribution to the improvement of governance generally within the partner authorities.
8. The Partnership has continued to develop the skills and competencies of the overall team, encouraging professional study and providing skills training in Computer Assisted Audit Techniques and Value for Money auditing.
9. Staff currently working for the partnership have significant levels of experience and a broad range of appropriate professional qualifications.

10. The partnership has been successful in meeting all of the business objectives that were originally set for it and has received very positive feedback from senior officers, Members and the external auditors across the four Councils.

Staffing

11. The basic staffing structure for MKA, of a Head of Service, two Audit Managers and nine operational auditors is a fairly typical, tried and tested structure for an Internal Audit service of its size, functions and responsibilities.
12. The role of the Audit Manager is central to the management of individual projects and subsequently to ensuring the output of the service. The Audit Manager (Maidstone and Swale) has a key involvement in 60 audit projects per annum, and the other Audit Manager (Ashford and Tunbridge Wells) has a key involvement in 48 projects. The Audit Managers play a crucial role in the quality assurance process, which is a compulsory attribute standard within the new Public Sector Internal Audit Standards.

Future Expectations

13. MKA will be seeking an external assessment of conformance with the new Public Sector Internal Audit Standards later in the year. A successful assessment will provide an 'accreditation' for the service, which will provide an independent assurance to existing clients in terms of the quality of service that they receive and would in the future allow Mid Kent Audit to compete for business externally to provide internal audit to other public sector organisations, which would produce an external income stream.
14. The changing landscape for local government has a number of implications for the Internal Audit service. Local authorities, including the four Partner Councils, have to consider new and innovative ways to achieve a balanced budget. This includes using entrepreneurial activities to produce additional income streams. These activities inevitably include a level of inherent risk which in previous times may have been considered to be unacceptable by a local authority. Even 'traditional' sources of income such as Council Tax and Business Rates have an additional level of risk due to the 'localisation' of both taxes. Added to this, the reduction in staffing levels, the deletion of layers of management, and the subsequent impact on traditional controls such as 'division of duties', mean that that local authorities have probably never been in greater need of a fully effective Internal Audit function.
15. The serious financial constraints facing local government is leading to councils developing more complex solutions to compensate. These strategies (companies, more partnership working, and capital investments some involving joint ventures) heighten risk, raise some governance issues, and demand a rebalancing of internal audit attention.
16. The recent changes to external audit have yet to be fully felt. The new auditors, Grant Thornton, are contracted to provide the external audit service at a price which is 40% less than the previous service provided by the Audit Commission. The margins mean a tighter, more structured audit with less flexibility for the audit staff, which will place considerable reliance on the client (the Council) to comprehensively prepare for the audit so that Grant Thornton do not need to carry out 'additional work', which would result in an increased

audit fee. The external auditors will also need to be able to place reliance on the work of Internal Audit in terms of the key financial systems, the integrity of which are crucial to the soundness of the final accounts. Internal Audit will need to continue to maintain good liaison with the external auditors to ensure that expectations can be anticipated and addressed. As stated earlier, these are early days, with the first set of final accounts yet to be reviewed by the new regime. The vulnerability of the four partner Councils to increased external audit fees will become clearer over the next year.

Current employment model

17. Since the commencement of the partnership all of the operational auditors have continued to be employed by their original employers, with their costs charged directly to the employer. In terms of management, one of the Audit Managers is employed by Tunbridge Wells, with a recharge to Ashford for his management time. The other Audit Manager is employed by Maidstone, with a recharge to Swale for management time. The Head of Audit Partnership is employed by Maidstone, with a recharge to the other three partners.
18. The operational auditors are primarily based at the site of their current employer, with the majority of their work being local to that site. The current arrangements allow up to 25% of their work to be carried out at other partnership sites, with a quid pro quo arrangements with the other partnership team. Where this has happened it has produced good results, for example, a recent audit of Section 106 arrangements at Tunbridge Wells was carried out by an Ashford auditor who was able to quote examples of good practice in the administration of Section 106's at Ashford. Audits of other shared services are carried out for the MKIP authorities, with the resulting Internal Audit report able to provide assurance to the two or three partner authorities.
19. While carrying out one-off audit projects at other sites has been successful, it does require a certain amount of administration as the auditor is treated as a one-off visitor to the site, requiring that issues such as IT access, parking arrangements, access cards, etc, have to be set up for each separate audit project. This would not be the case if the auditor was allocated to a site for, say, a six month period and carried out a range of audits while on that site; a longer allocation is therefore more efficient.
20. The current employment model does not allow audit staff to be sent to work on another site for an extended period or to be rotated for set periods between the four client sites.
21. A structure chart is shown at **Appendix A** which shows the current employment model.

The officer Partnership Board

22. The Board (an officer group with representatives from each of the four partners) has met on a number of occasions and has considered several reports from the Head of Audit Partnership. The Board is a requirement of the Collaboration Agreement between the four Councils. The most recent meeting of the Board on 6 August 2013 considered an 'options' report which primarily set out the advantages of moving to a 'one team – one employer' model for the Internal Audit Partnership.

23. The Board had previously asked that the report give consideration to the existing model, and include further research on the employment structures for other Internal Audit shared services, and a timetable and an action list for creating 'one employer'.
24. The Officer Board, meeting on 6 August, accepted the advantages that the revised model would bring. The Board asked that a report be prepared for the respective Portfolio Holder/Cabinet or other body (depending on the respective arrangements of each authority). The report would initially be considered by the respective management team before being provided to the Portfolio Holder/Cabinet or another body.

Disadvantages of the existing employment model

25. The disadvantages can be broadly categorised as follows:

Lack of Flexibility in the use of staff – the original partnership model envisaged the movement of auditors between the four sites to provide efficiencies in carrying out 'repeated' audits and to make best use of specialist skills. Where this has happened it has proven to be effective in practice but the current employment model limits the flexibility to use staff in this way. The current model reflects 'four teams' rather than 'one team'.

Lack of flexibility to adjust the cost of the service – significant financial savings were made at the commencement of the partnership, largely through structural changes, with some further savings made since; however, the current staffing arrangement is quite rigid and inflexible and any further reductions in costs from staffing reductions would be difficult to implement without unbalancing the overall structure.

Variations in pay and conditions – The staff within the shared service are paid under four different pay and conditions arrangements. From the commencement of the partnership this created a number of inequalities, which have led to resentment among some team members. The inequalities exist at both the auditor and the audit manager level.

No option for rotation – Because the auditors are employed to work principally on their employer's site, there is limited flexibility for them to work elsewhere, other than to carry out one-off projects. In order to ensure that objectivity is retained and the skills of the audit team members are developed, there would be a benefit in rotating the auditors and the Managers periodically. The current arrangements do not provide an option for rotation.

Maintaining objectivity and independence – this is a crucial aspect for an internal auditor and is a requirement of the Public Sector Internal Audit Standards. Audit staff who work only on one site can have a narrower outlook than someone who has worked in a number of different environments. In addition it may become increasingly difficult to maintain objectivity and 'fresh eyes' when carrying out a review of a subject that the auditor has audited previously, perhaps on a number of occasions. This can impact on 'independence of mind'.

Limited cross partnership learning – the auditors have considerable experience in a number of specialist audit subject areas but the current employment structure does not sufficiently facilitate the sharing of knowledge.

Resilience – Although the partnership has created much greater resilience than was previously in place, there is still a difficulty in being able to ensure service delivery for a client where, for example, a member of the fixed audit team has a significant period of absence through sickness.

Difficulties in Management Control – all of the issues set out above create difficulties in managing the arrangements and the staff.

26. All of these disadvantages would be addressed by a one team model – which will in turn lead to a better service for the four partner Councils. In terms of variations in pay and conditions, the variations will need to be dealt with over the longer term as the existing staff will have their terms and conditions (including their salary) protected under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) regulations.

What other audit partnerships do

27. The Board asked that I conduct some research on alternative employment models through contacting other Heads of Internal Audit shared services. I have since spoken to the Head of the Gloucestershire Audit and Assurance Partnership, the Head of the Derby City/South Derbyshire Audit Partnership and the Head of Audit Cotswolds. All three have confirmed that staff were transferred to one employer through the TUPE process at the commencement of the audit partnership. This was also the case for the East Kent Audit Partnership, which is a four-way shared service, with all staff employed by Dover District Council.
28. In all cases the TUPE process was used to ensure that employees existing terms and conditions were protected on transfer.
29. In retrospect all of the Heads of Audit Partnership consider that the TUPE decision was correct at the time and that it has worked to the benefit of the service.
30. The Heads of Audit Partnership also stressed the need for audit staff need to be independent in mind and practice and to be objective in their work and in their relationships with others.
31. The existing employment structure for Mid Kent Audit inhibits the flexibility necessary to use resources most efficiently and effectively.
32. The 'one team' model will allow (and encourage) good working relationships to be developed but will also mean that staff can be moved/rotated to maintain objectivity, allow fresh thinking, and maintain their personal and professional development.

33. Some of the other internal audit shared services have progressed their business to the point where they have attracted external clients while retaining their original local authority client base. This has led to them becoming limited companies who provide internal audit services. The creation of 'one team' means that this could be an option for Mid Kent Audit in the future, subject to the partnership building a sufficient client base and ensuring that it remains efficient and effective.

Hosting the service – (employing the overall partnership team)

34. The three Mid Kent Improvement Partnership (MKIP) authorities (Maidstone, Swale and Tunbridge Wells) are currently considering whether MKIP itself could eventually become an arms length company. However, even if a decision is made to proceed, it will be a considerable time before any company came into being. Therefore, there is little point in delaying a decision on 'one team – one employer' for Mid Kent Audit.
35. If the Mid Kent Audit Partnership is to proceed as 'one team', an employer for all of the staff will need to be agreed.
36. There is logic to having Maidstone as host; Maidstone is the biggest team. The grading/salary position at Maidstone means that more senior staff are paid slightly less than at the other three authorities. However, the grading/salary position would have no effect on the transferred staff as the staff would retain their existing terms and conditions, including salary.
37. The staff would be deployed at individual sites, but the staff location would be changed from time to time. The amount of audit work carried out at each site (the 'auditor days') would match the respective Council's budget for Internal Audit.

Number of staff affected

38. There are twelve staff in total currently working for Mid Kent Audit. If the new employer is Maidstone, the seven staff transferred will be:
- Audit Manager (Ashford and Tunbridge Wells) currently employed by Tunbridge Wells
 - Senior Auditor -Tunbridge Wells
 - Auditor - Tunbridge Wells
 - Senior Auditor - Ashford
 - Auditor - Ashford
 - Senior Auditor - Swale
 - Auditor - Swale

Timetable for staff consultation and implementation

39. Preliminary discussions have been held with the HR Shared Service Manager (Maidstone/Swale) during which a rough timetable for implementation was prepared. The timetable includes an allowance of 30 days for staff consultation. The overall timetable is shown at paragraph 50.

40. ETO (Economic Technical or Organisational change) has not been a consideration for discussion.
41. Transferred staff will be subject to salary protection under TUPE. Therefore budget savings from any reduced salaries would take some years before they take effect, and would only occur where the transferred employee leaves their new employer.

Revised basis for charging

42. The report to the Board referred to an alternative charging arrangement which would be facilitated by the 'one team' model. This would be based on each client committing to the purchase of a set number of audit days, which would reflect both the cost of the service and the number of audit projects delivered.
43. In order to create some stability it is suggested that for 2014/15, the days (and the cost of the service) would stay the same as now but beyond that there would be some flexibility in terms of the number of audit days purchased.
44. Partners/Clients will need to remain aware of the statutory nature of the Internal Audit service and that any radical reductions in coverage or sudden changes could undermine the service, the partnership and the ability of the respective Council to meet the statutory requirement.
45. One of the benefits of basing charges on audit days is that it provides a greater opportunity to set an annual target for the sale of audit days to new clients, allowing a 'toe to be dipped' into the market for selling auditor days.

Consolidating budgets

46. It would be relatively straightforward to consolidate the four existing audit budgets. In effect the host authority (the employer) would create a budget which is the equivalent of the four budgets combined, which would then be recharged back to the four partners, on a quarterly basis. Subsequent changes to the budget (and therefore the charges to be made to each Council) would be the subject of agreement between the four parties. It would not be anticipated that simply consolidating budgets would have any material effect on service costs overall.

The financial effect of a TUPE transfer

47. A member of Maidstone's Business Improvement Team has been commissioned to carry out some work on costings, to establish the costs for a changed employment model. It is anticipated that any changes would be broadly cost neutral.

The current partnership (collaboration) agreement

48. The current partnership agreement sets out the employment structure that has been in place since 1 April 2010 and the liabilities of each of the partners in the context of their direct employment of partnership staff. It will be necessary for the agreement to be amended by means of a variation order in order to reflect the revised employment model and the revised liabilities of the partners. A formal variation order will be prepared, with the necessary input from Legal Services, for agreement between the parties.

The partnership term

49. The current partnership agreement expires in March 2015. It is therefore recommended that, as part of the consideration of the employment model, consideration is also given to extending the partnership for a period of five years from 1 April 2014. This will give stability to the service and will greatly assist the recruitment process for a new Head of Audit Partnership. The recruitment process will commence in November, with the new Head of Partnership required to be in place from 1 April 2014.

The Timetable for implementing 'one team'

50. The proposed timetable for the creation of one team is*:
- 6 August 2013 - Audit Board confirm that action be taken to implement 'one team – one employer'
 - 16 August – A second, revised draft of the proposal to be circulated to the Board members for agreement and presentation to next meeting of management team
 - 20 August – Staff engagement commences via a meeting of the audit partnership team
 - 19 August to 17 September – The four respective management teams agree the proposed action
 - September – the respective HR teams to discuss and agree the approach re staff consultation etc
 - September – Report on the proposal to respective Portfolio Holder
 - October – Formal decision by Portfolio holder
 - November – End of January 14 – Staff consultation and TUPE transfer
 - November – End of February 14 – New contracts etc
 - November – End of March 14 – Deliver new finance arrangements
 - End of January 2014– amend collaboration agreement (engage Legal Services)
 - Feb- March 2014 – Embed new employment structure
 - 1 April 2014 – New Head of Audit Partnership start date

*This is a generic timetable that will need to be adjusted to suit the processes to be used by each of the four Councils.

51. The decision making process for gaining approval for the revised employment arrangements is different at each of the four partner Council's. It is possible that variations to the proposals contained within this report will be put forward at the various meetings. If that is the case it will be necessary for a senior officer to be able to agree those changes in consultation with their counterparts at the other Councils, otherwise the changes would need to be considered by means of going through the decision making process again. It is therefore recommended that a senior officer be given delegated authority to agree any changes that do not materially affect the principal proposal.

Consultation

52. The consideration of the issues contained within this report provides a process of consultation with the four partners. This has been done initially through the Officer Board, which is composed of representative of the four partner Councils, subsequently by the respective senior officer management team and finally by the respective Portfolio Holder.
53. Formal consultation with all staff affected by the proposal will commence following a positive decision by the Portfolio Holder. The decision can only be made on the basis that it will be subject to staff consultation. The consultation will be carried out in accordance with the respective employer's formal procedures.

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Mid-Kent Audit

