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| <b>Report of:</b>          | Head of Financial Planning & Support (Interim s151 Officer) |
| <b>Submitted to:</b>       | Corporate Affairs and Audit Committee                       |
| <b>Date:</b>               | 28 April 2023   |
| <b>Title:</b>              | Senior Management Reviews                                   |
| <b>Report for:</b>         | Information   |
| <b>Status:</b>             | Public  |
| <b>Strategic priority:</b> | All   |
| <b>Key decision:</b>       | Not applicable  |
| <b>Why:</b>                |   |
| <b>Urgent:</b>             | Not applicable  |
| <b>Why:</b>                |   |

**Executive summary**

This report provides members of the Corporate Affairs and Audit Committee with an overview of the final report of an internal audit of Senior Management Reviews undertaken by Veritau, which had been commissioned, following discussions with the Chair and Vice-Chair of Corporate Affairs and Audit Committee, in May 2022 by the then Director of Finance (s151 Officer).

It was agreed that the audit would look at any restructures that primarily affected members of senior management, since 2015/16. The purpose of the audit was to establish whether savings proposed as part of those restructures had been achieved, where applicable.

The report highlights a number of key findings and recommendations arising from the audit. Appendix 1 summarises these and also shows the actions proposed by management to address these. These focus on ensuring that in the future there is increased transparency and reporting of future Senior Management Reviews, the savings arising from them and achievement of any non-financial objectives identified in reviews.

## **Purpose**

1. Following discussions with the Chair and Vice chair of Corporate Affairs and Audit Committee, in May 2022 the then Director of Finance (s151 Officer) commissioned Veritau to carry out an audit of senior management reviews undertaken at the Council.
2. As the internal audit was requested by members of the Corporate Affairs and Audit Committee, it is appropriate for members to receive the final report and consider the summary findings and proposed management responses.

## **Background and relevant information**

### *Internal Audit*

3. Concerns about savings connected with senior management reviews were initially raised by the Chair and Vice-Chair of Corporate Affairs & Audit Committee. This area was subsequently included as a potential audit in the Council's internal audit work programme for 2022/23.
4. In May 2022, the then Director of Finance (s151 Officer) commissioned Veritau to carry out an audit of senior management reviews undertaken at the Council. It was agreed that the audit would look at any restructures that primarily affected members of senior management, since 2015/16. The purpose of audit was to establish whether savings proposed as part of those restructures had been achieved.

### *Key findings*

5. Initial detailed scoping work commenced in May 2022. At the outset of the audit, discussions were held with the former Director of Finance (s151 Officer), the Head of Human Resources, the Head of Democratic Services, and other senior finance officers, to identify senior management reviews that had taken place since 2015/16. Five reviews that incorporated changes to the Council's senior management structure were found. A summary of each review is included in the audit report.
6. It quickly became apparent that little documentary evidence was available that would enable Veritau to assess savings and outcomes achieved by all of those reviews. Veritau found that there was no defined process to review the effectiveness of new leadership arrangements, post restructure, or report specifically on outcomes savings, that they could rely on for the work.
7. The audit has now been completed and a report prepared for comment by management. The report has also been provided to the Committee under confidential terms.
8. The key finding of the audit was that the Council has no process in place to review the effectiveness of senior management reviews or report on outcomes to councillors and the public. This is an issue because there is likely to be public interest in management arrangements and salaries paid to senior officers. The Council should therefore consider implementing review and reporting arrangements for future senior management reviews.

### *Conclusions*

9. Veritau were not able to fully confirm that all proposed savings linked to senior management reviews carried out since 2015 had been achieved. Information was available for the latest two exercises in October 2019 and May 2020, from budget spreadsheets maintained by finance officers. However, no information was available for the earlier exercises.
10. The report also concluded that the Council does not have a defined process for reviewing the effectiveness of senior management restructures or formally reporting achievement of financial and other outcomes. This is an issue given the likely public interest in information about senior council officer salaries. High level budget monitoring reports will reflect financial outcomes, but it can be difficult to see the link between proposed restructuring exercises and actual savings achieved.

### *Recommendations*

11. The Council should consider introducing arrangements to review the effectiveness of senior management restructures and report specifically on financial and other outcomes.
12. The Council should in the future include senior management restructures as specific savings targets as part of the budget setting process, where applicable. These should be subject to the same corporate governance arrangements for monitoring and reporting progress against budget savings.

### *Proposed Management Actions*

13. Appendix 1 summarises the key findings and recommendations arising from the audit and the actions proposed by management to address these. These focus on ensuring that there is increased transparency and reporting of future Senior Management Reviews and the savings arising from them.
14. The Committee is asked to consider whether it wishes to make further comment on the issues raised by the audit and the proposed actions.

### **What decision(s) are being recommended?**

15. That the Committee:
  - notes the findings of the internal audit report on previous Senior Management Reviews and the proposed management response for future reviews; and
  - considers whether it wishes to make further comment on the issues raised by the audit and the proposed actions.

### **Rationale for the recommended decision(s)**

16. To improve transparency and reporting of future Senior Management Reviews and the savings achieved from them, in the light of the findings of this audit.

## **Other potential decisions and why these have not been recommended**

17. Not applicable.

### **Impact(s) of recommended decision(s)**

#### ***Legal***

18. There are no legal implications from the internal audit or from the proposed management response.

#### ***Strategic priorities and risks***

19. The issues set out within this report are relevant to a number of risks including:

- Lack of evaluation of the effectiveness and transparency of senior management restructures. This is an issue because there is likely to be public interest in management arrangements and salaries paid to senior officers
- Savings arising from senior management restructures are not monitored and reported in line with normal corporate governance arrangements

#### ***Human Rights, Equality and Data Protection***

20. There are no direct implications from this report on human rights, equality and diversity or Data Protection.

#### ***Financial***

21. There are no direct financial implications from the proposed management response.

### **Actions to be taken to implement the decision(s)**

22. Following consideration of the report by Corporate Affairs and Audit Committee the proposed management actions outlined in Appendix 1 of this report will be implemented. Progress on implementation will be tracked by LMT monthly through scheduled corporate performance reviews.

## **Appendices**

1 Internal audit findings and proposed management responses

## **Background papers**

- None

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**Appendix 1: internal audit findings and proposed management responses**

| Issue / control weakness   | Risk   | Proposed management response(s)   | Proposed implementation date | Responsible Officer (s)  |
|--|--|---|------------------------------|--|
| <p>The Council had no process in place to review the effectiveness of senior management reviews or report on outcomes to councillors and the public.</p>   | <p>Lack of evaluation of the effectiveness and transparency of senior management restructures. This is an issue because there is likely to be public interest in management arrangements and salaries paid to senior officers.</p> | <p>Implement a process, approved and maintained by the Chief Executive to set out the governance arrangements regarding future senior management reviews.</p>   | <p>December 2023</p>         | <p>Chief Executive</p>   |
| <p>Senior management restructures were not included as specific savings targets as part of the budget setting process, and were not subject to corporate governance arrangements for monitoring and reporting progress against budget savings.</p> | <p>Savings arising from senior management restructures are not monitored and reported in line with normal corporate governance arrangements</p>  | <p>The above proposed action will set out the process to ensure that this occurs where applicable going forward, following the good practice approach already undertaken in relation the 2023/4 budget setting process.</p> <p>Where applicable, savings will be monitored in line with corporate financial and performance monitoring.</p> | <p>December 2023</p>         | <p>Head of Financial Planning and Support / Head of Strategy, Business, and Customer</p> |

