Public Document Pack

Cabinet

Date:	**Thursday, 13 October 2011**
Time:	**6.15 pm**
Venue:	Committee Room 1 - Wallasey Town Hall

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SUPPLEMENTARY AGENDA

FINANCE AND BEST VALUE

CORPORATE RESOURCES

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WIRRAL COUNCIL

CABINET

13 OCTOBER 2011

SUBJECT	**LOCAL GOVERNMENT RESOURCE REVIEW – BUSINESS RATES REFORM CONSULTATION RESPONSE**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF FINANCE**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR STEVE FOULKES**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This Local Government Resource Review was launched by the Government on 17 March 2011. The central issue is the repatriation of business rates whereby local councils keep their local business taxes with grant dependence scaled back except where it is needed to protect the interest of taxpayers. The intention is to set an initial baseline and local authorities whose business rates income is higher than this would pay the difference to the Government by way of a tariff. Those whose income is less than the baseline would receive the balance in the form of a top up

1.2 Reports to the Cabinet on 14 April 2011 and 22 September 2011 outlined the basic proposals. The latest consultation sets out the proposed core components for a business rates retention system. In addition it sets out how Tax Incremental Financing will operate within the system. It further outlines how the proposals interact with wider Government initiatives to promote growth, including the New Homes Bonus.

1.3 In addition to the core proposals there are a further eight technical papers to which councils may respond. These provide further details on the topics covered in the core consultation. A brief summary of these is included later in this report.

1.4 Appendix 1 contains a proposed response to the core consultation but not the technical aspects which purely inform the overall response.

2.0 RECOMMENDATIONS

2.1 That the response to the core consultation be agreed.

2.2 That any final amendments are to be agreed by the Director of Finance in conjunction with the Leader of the Council.

3.0 REASONS FOR RECOMMENDATIONS

3.1 The response is made on the basis that, as far as possible, it protects the Council's financial position. Although a series of technical papers have been released these still do not give a full understanding of the detail or the possible outcome of the consultation. This is evidenced by the number of issues, stemming from the various Resource Review meetings, that the DCLG admits still need to be resolved. It could be that the legislation will be agreed at a high level with much of the detailed workings not available until later in 2012 and possibly around the time of the Local Government Finance Settlement for 2013/14.

3.2 Discussions are still ongoing between the Council, SIGOMA and the Liverpool City Region on a number of technical issues which must conclude by 24 October 2011.

4.0 BACKGROUND AND KEY ISSUES

PROPOSALS FOR BUSINESS RATES RETENTION

4.1 On 17 March 2011 the Government launched the Local Government Resource Review. The details were reported to Cabinet on 14 April 2011 and 22 September 2011.

4.2 In summary the key principles for reform are:

- To build into the local government finance system an incentive for local authorities to promote local growth over the long term;
- To reduce local authorities dependency on the Government;
- To maintain a degree of resource distribution to ensure that local authorities with high needs and low tax bases are able to meet the needs of their areas; and
- Protection for businesses and specifically, no increase in locally imposed taxation without the agreement of local businesses.

SUMMARY OF THE TECHNICAL PAPERS

4.3 **Technical paper 1 – Establishing the baseline**
The Government proposes that baseline funding will be based on the spending review control totals. Forecast business rates for 2013-14 and 2014-15 will be higher than the control totals and it is therefore proposed to set aside a share of business rates to fund other grants to local government. There is also a proposal to make further adjustments to fund the New Homes Bonus, the guaranteed level of police funding and any changes in local authority functions.

The paper considers the options for setting individual local authorities' baselines. Should the 2012-13 formula grant allocation be adjusted or should the formula grant be recast prior to establishing the baseline. For example updating data, reviewing the relative needs formula, would alter the amount that is accounted for by service demands and resources and the use or not of floor damping. Finally the paper considers options for when the baseline should be reset which would be required when resources were becoming too divergent from service delivery pressures.

4.4 **Technical paper 2 – Measuring business rates**
This covers proposals to set the forecast national business rates, the basis of proportionate shares which determines how much each billing authority would be required to contribute towards the national set aside and any adjustments and the allowable deductions (e.g. hardship relief) made to business rates yield in determining the proportionate shares.

4.5 **Technical paper 3 – Non billing authorities**
Not applicable to Wirral

4.6 **Technical paper 4 – Business rates administration**
This covers business rates payments to the Government, the year end reconciliation process in respect of the set aside, adjustments, top ups and tariffs, notification of levy and safety net payments, and the treatment of Enterprise Zones on data returns.

4.7 **Technical paper 5 – Business rate retention**
This paper considers the choices about how tariffs and top ups are rolled forward into future years and the consequent effect on maximising the growth incentive and ensuring adequate protection for local authorities. It introduces the concept of voluntary pooling and how this would be treated for tariffs, top ups and levies. The levy, whether in relation to pooling or individual local authorities, is to generate funding for areas in need of support by limiting disproportionate gains in local authorities' pre-levy income. A number of options are proposed as to how the levy should be calculated and how the amount to fund any safety net would be calculated.

4.8 **Technical paper 6 – Volatility**
A number of factors give rise to changes in the volatility of business rates income, such as changes in the rateable value of very large properties. A number of options to counter this are proposed – to provide local authorities with compensation for specific events, local authorities to apply directly for support from the levy pot or to have a safety net that provides support if rates income fell below a pre-determined threshold.

4.9 **Technical paper 7 – Revaluation and transition**

At revaluation the business rates yield in each local authority could go up or down significantly, depending on whether rateable value growth in their area has been greater or less than the national average. It is proposed to adjust each local authority's tariff or top up following a revaluation, to ensure that their retained income is the same after revaluation as immediately before.

At the property level it maybe that following a revaluation there will be significant changes in the bills of the individual ratepayers following a revaluation. A transitional rate relief scheme works by phasing in increases in rates bills over a number of years; this is paid for by phasing in reductions in rates. Transitional relief is designed to be self financing on a national level but this will not necessarily be the case on a local level. The Government is minded to take transitional rate relief outside the rates retention scheme to prevent the potential of it undermining the incentive effect.

4.10 **Technical paper 8- Renewable Energy**

It is proposed that for certain renewable energy technologies rates payments the local authority will benefit from full retention of the associated rates. The full retention will apply to new projects for renewable energy as defined in previous business rates statutory instruments. It is proposed that it will be the responsibility of the billing authority to assess whether a property qualifies as a renewable energy project.

IMPLICATIONS FOR WIRRAL

4.11 The proposals could adversely affect Wirral and similar local authorities with low Business Rate tax bases and limited potential to increase the base. Local authorities with high tax bases are predominately in the South-East and gain because after the initial top-up adjustment those areas with a high base and lower needs will generate (and potentially retain) substantially more than an area with a low tax base and high needs.

4.12 The Enterprise Zone and Tax Increment Financing proposals are of interest given the Wirral Waters and International Trade Centre schemes. This would potentially allow the retention of increases in business rate revenues and provides the facility to borrow against potential future increased business rates uplifts from economic regeneration and investment.

5.0 RELEVANT RISKS

5.1 The major risk is financial. At this early stage in the process there are many unresolved issues, for example where the safety net will be set which means it is not possible to fully assess the relevant risks. The safety net is designed to provide a degree of assistance where a local authority experiences a decline of more than a certain percentage in their retained income from one year to another. It has not yet been decided at what percentage the safety net will be set which makes it difficult to assess the level of risk.

There is a financial risk to Local Authorities who will have to make up any deficit caused by failure to achieve the Government estimates of growth in NNDR.

6.0 OTHER OPTIONS CONSIDERED

6.1 There are none as the Council is responding to a Government consultation.

7.0 CONSULTATION

7.1 The Government has invited contributions to its consultation paper, Local Government Resource Review: Proposals for Business Rates Retention, the deadline for responses is 24 October 2011.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising directly from this report. The Government has indicated that Business Ratepayers will be unaffected by the proposals and that existing reliefs will remain.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 Wirral expects to collect £60 million in Business Rates in 2011/12 which is paid into the national pool. Wirral receives £121 million in Government Grant from the re-distribution of the pool. If the Government proposals are implemented then Wirral will retain the Business Rates collected and receive a 'top-up' grant so that Wirral will receive the same business rates income in 2013/14 as for 2012/13.

9.2 Looking ahead the annual Local Government Finance Settlement which seeks to allocate Government support to those areas based upon need, will no longer exist in its current format. It would be for Wirral to meet any increased pressures from within the Business Rates collected locally plus the 'top-up' grant although the Government is proposing the option of re-setting the system if it was felt that resources were no longer meeting pressures within local authority areas. This could offer some protection to Wirral and others with low growth options.

9.3 It is difficult to quantify the impact on Wirral. This is because of the large number of uncertainties and unknowns in the draft proposals, for example how often the system will be reset has yet to be confirmed.

9.4 There are no asset, staffing or IT implications arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

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FNCE/231/11

BACKGROUND PAPERS

The Department for Communities and Local Government 'Local Government Resource Review : Proposals For Business Rates Retention consultation paper was issued on 18 July 2011 and can be found at:-
www.communities.gov.uk/publications/localgovernment/resourcereviewbusinessrates.

The plain English guide to rates retention is available at:-
www.communities.gov.uk/publications/localgovernment/resourcereviewplainenglish.

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Cabinet Cabinet	14 April 2011 22 September 2011

Appendix 1

Consultation Paper

Q1: What do you think that the Government should consider in setting the baseline?

The base-line position for 2013/14 will be within the overall spending control total set by the Government with each authority allocated a share in line with the 2012/13 grant allocations.

The proposed scheme critically breaks the link between funding and need and will have a significant impact on authorities that face a disproportionate increase in demand for services based on the socio-economic breakdown of the region.

Formula grant is allocated on the basis of three criteria, Relative needs, Relative resources and a central allocation. The relative weightings applied to each are shown below.

Year	Relative Needs Amount	Relative Resources Amount	Central Allocation
2008-09 to 2010-11	73.0%	-26.6%	53.6%
2011-12 to 2012-13	83.0%	-26.6%	43.6%

We have always argued that additional resources should be allocated through the RNA, and despite the severity of the cuts imposed on this Council in the last settlement we were pleased to see that the government recognised the importance of the Relative Needs weighting. However it is still considered that there is too much focus on the Central Allocation and we would have hoped there is still an opportunity to further develop the needs allocation. The proposal for business rate retention severely mitigates against this.

According to Government figures, Wirral suffered a reduction in ‘Revenue Spending Power’ of 7.44% in 2011/12 and 4.09% in 2012/13. There is concern that the results of the settlement will be locked into the baseline funding for Wirral if the 2012/13 Formula Grant settlement is taken as the base i.e. Wirral will be locked into a cycle of downward government funding when the baseline is set.

Whatever baseline is chosen the system must not suffer from any volatility. In order to maintain a degree of certainty within the system there should be little or no change to the formula and damping should be retained.

Q2: Do you agree with the proposal to use 2012-13 formula grant as the basis for constructing the baseline? If so, which of the two options at paragraphs 3.13 and 3.14 do you prefer and why?

We do not agree with the proposal to use the 2012-13 formula grant as the basis for constructing the baseline. The information set out in Q1 provides explanation and details behind this response.

The first option, 3.13, would be to take individual authorities' actual 2012-13 formula grant allocations as their baseline position but adjust them in proportion to the new control totals with no further changes.

The second option, 3.14, would be to establish the baseline position for each local authority by applying the process used to determine their 2012-13 formula grant allocation to the local government control totals and at the same time make very limited technical updates to the formulae.

If 2012/13 Formula Grant is to be used as the baseline then our preferred option is the first as outlined in paragraph 3.13 as at least it provides some level of certainty about the level of the funding.

Q3: Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?

If the proposed system is to be implemented then we agree with the concept of tariffs and top ups as a mechanism for rebalancing a system for localising business rates. However we believe that it is important to conduct a needs based assessment when setting the tariff and top up.

Q4: Which option for setting the fixed tariff and top up amounts do you prefer and why?

As outlined in Q3 we believe that there should be a needs based assessment. Of the 2 options set out in the consultation paper the preferred option would be for tariffs and top ups to be uprated in line with RPI. In our view the potential for volatility in funding is too much of a risk if top up and tariff amounts were to be fixed.

Q5: Do you agree that the incentive effect would work as described?

The incentive effect would have the potential to work in certain areas where conditions are conducive to encouraging businesses into the area. In areas where there is a low existing tax base and disincentives to invest such as weak infrastructure it might still prove hard to encourage investment.

It is also our view that businesses might encourage practices such as home working in certain sectors and increasing number or length of shifts will limit physical business rate growth. Also it should be considered that businesses may relocate to Enterprise Zones for financial benefits thereby reducing the capacity to generate physical business rate growth.

Q6: Do you agree with our proposal for a levy on disproportionate benefit, and why?

Based on the scheme described we agree with the proposal for a levy to recoup a share of any disproportionate benefit. This levy should be used to reduce the unevenness which exists in the current system. Due to a gearing effect a small growth in businesses in that area can lead to a large increase in business rates revenues.

Q7: Which option for calculating the levy do you prefer and why?

We would prefer option 3, to create an individual levy rate for each local authority which allows the retention of growth in an equivalent proportion to its baseline revenue; it appears to be the most equitable and avoids any authority suffering a “cliff edge” effect as might be case if authorities were put into different bands as in option 2.

Q8: What preference do you have for the size of the levy?

Wirral would prefer a larger levy with more resources being available to provide protection. It is essential that the most needy and vulnerable in society are protected from any volatility in the system.

Q9: Do you agree with this approach to deliver the Renewable Energy commitment?

We agree with the approach to deliver the Renewable Energy Commitment

Q10: Do you agree that the levy pot should fund a safety net to protect local authorities: i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes); or ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?

We believe that the levy pot should be used to act as a safety net in either of the two options above not just in one situation or the other. It is critical that the safety net is at as lower variance from both the baseline and the previous years funding to ensure that Authorities do not experience damaging fluctuations in funding.

Q11: What should be the balance between offering strong protections and strongly incentivising growth?

It is important to provide strong protections, we believe that authorities are already strongly incentivised to grow their business rates revenue and that it is best to have a strong balance towards protecting authorities.

Q12: Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?

Of the options our preference is for options one and two, i.e. (1) provide ongoing support to authorities that have experienced significant losses that take more than one year to recover from, and (2) top up the growth achieved in every authority which had not contributed to the levy. We would be concerned about how this is to be allocated and would emphasise the importance of allocating on a needs basis.

Q13: Are there any other ways you think we should consider using the levy proceeds?

If the Government continues with its preferred option to set the baseline on damped formula grant then any levy proceeds not required for a safety net could also be used to provide funding to those Authorities that do not receive resources based on their assessed needs. Given that they are often those areas with lower tax bases such investment would also provide additional resources to support a focus on economic regeneration

Q14: Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?

Wirral agrees with the proposal, in order for the system to work well it is important that there is an incentive to promote growth and particularly to manage volatility in budgets.

Q15: Do you agree with this overall approach to managing transitional relief?

Yes. We agree to keep it as a national scheme; the overall high level approach would seem to be okay.

Q16: Do you agree that the system should include the capacity to reset tariff and top up levels for changing levels of service need over time?

We agree that there should be the capacity to reset tariff and top up levels.

Q17: Should the timings of resets be fixed or subject to government decision?

A fixed period seems reasonable. It would be a sensible idea to allow government to intervene and adjust the timings of a reset but only when there is reasonable justification and not on a whim.

Q18: If fixed, what timescale do you think is appropriate?

We would argue either for every four years or every three years, this would bring it more into line with spending reviews.

Q19: What are the advantages and disadvantages of both partial and full resets? Which do you prefer?

A partial reset will ensure the growth experienced by an area will be locked into that area in future. In line with concerns above, over time this risks opening up wide gaps between areas as those who have the greatest growth will continually get the edge over those with weaker growth. Over time this will have the opposite effect of what government is trying to achieve i.e. it will give the strongest economic areas the greater advantage –allowing them to use tools such as TIF or business rate discounts to attract additional investment. A partial reset over time could have very damaging effects – a full reset would offer the stability needed nationally while also allowing those who do experience growth to benefit.

Q20: Do you agree that we should retain flexibility on whether a reset involves a new basis for assessing need?

If there is a new basis for assessment it is crucial that the model remains needs based.

Q21: Do you agree that pooling should be subject to the three criteria listed at paragraph 3.50 and why?

Yes. It is important that the decision to pool should be voluntary and if the pool is dissolved authorities should return to their individual tariffs and top ups.

Q22: What assurances on workability and governance should be required?

The same assurances on workability and governance should be required as are currently in place when two local authorities collaborate currently.

Q23: How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?

N/A

Q24: Should there be further incentives for groups of authorities forming pools and, if so, what would form the most effective incentive?

No, there must already be an incentive if authorities have volunteered to form pools, it should also be considered where would the funding for further incentives come from, it would have to come at the expense of authorities who chose not to form pools.

Q25: Do you agree with these approaches to non-billing authorities?

We agree in principal as long as there is no adverse affects on billing authorities such as ourselves.

Q26: Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?

We believe that the current New Homes Bonus scheme needs to be fundamentally reviewed in light of the proposals.

The scheme was established under the previous system where additional Council Tax Income generated from new homes was effectively equalised within the system with the full benefit of growth not being received by individual Authorities. The New Homes Bonus provided an added incentive.

Under the proposed system all additional Council Tax raised through new homes will be kept by individual Authorities.

Top-slicing of the funds for the New Homes Bonus means that going forward areas able to build homes will receive a double reward , increases in Council tax and Homes bonus whilst areas unable to develop will see no increase in resources through Council tax and indeed a reduction in core funding to provide funds for the more wealthy.

Q27: What do you think the mechanism for refunding surplus funding to local government should be?

Wirral agrees with the Government's proposal to return any surplus amount to local authorities on the basis of baseline funding.

Q28: Do you agree that the current system of business rates reliefs should be maintained?

We agree that the current system should be maintained. We would note that the Government may wish to give consideration to providing additional mandatory relief for the third sector who have been hit by the Governments economic policies in the pursuit of the deficit reduction plan.

Q29: Which approach to Tax Increment Financing do you prefer and why?

Wirral do not have a preference for either option. We wish to raise concerns in relation to the impact that the proposed system. It is our view that more prosperous areas that are able to easily generate growth in business rates are in a better position to encourage business to relocate, thereby increasing growth. Our concern is that this will be at the detriment of areas where growth is difficult and resources are not available to provide financial incentives when viewed against the need to provide basis services.

We further believe that the Government needs to consider mechanisms to avoid growing areas being able to 'drain' business from other areas.

Q30: Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?

Option 2 would provide a greater incentive for local authorities and developers because of the greater certainty around the long term retention of any growth locally.

However it should be noted that the proposals do not recognise that some areas have high percentage of public sector workers and it will not matter which option is selected this sector will not have the resources to invest in the area.

Q31: Would the risks to revenues from the levy and reset in option 1 limit the appetite for authorities to securitise growth revenues?

Yes, we would think so as any growth would be subject to the levy calculation and would also be lost when the system is reset.

Q32: Do you agree that pooling could mitigate this risk?

We are uncertain, whether risk would be mitigated would depend upon the composition of the pool and the way in which it is set up to operate.

Q33: Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?

Yes otherwise the amount of growth subject to a levy would diminish and this in turn would reduce the safety net fund.

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WIRRAL COUNCIL

CABINET

13 OCTOBER 2011

SUBJECT:	**SINGLE FRAUD INVESTIGATION SERVICE**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF FINANCE**
RESPONSIBLE PORTFOLIO HOLDER:	**COUNCILLOR STEPHEN FOULKES**
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 Currently benefits fraud prevention and detection is undertaken by Local Authorities for Housing & Council Tax Benefits along with the Department for Work and Pensions (DWP) and HMRC. This report details the current situation, the Department for Work and Pensions proposals to better harmonise this work from 2013 and recommends that Wirral supports the favoured DWP option of retaining the Council Fraud staff working directly in the Council but adhering to the Single Fraud Investigation Service proposed powers, policies, processes and priorities.

2.0 RECOMMENDATION

2.1. That Members support the option that will see Local Authority staff remain employed by each Local Authority and operate under the Single Fraud Investigation Service powers, policies, processes and priorities.

3.0 REASON FOR RECOMMENDATION

3.1 To make Members aware of the proposed changes, the options available and the reasons for the favoured alternative as being the best for local benefits fraud work and for overall efficiency in supporting corporate anti fraud work.

4.0 BACKGROUND AND KEY ISSUES

4.1 At Wirral, Housing Benefits & Council Tax Benefits Fraud is undertaken by a team of investigators based in the Benefits Section with their focus on local Housing and Council Tax Benefit frauds. They work closely with colleagues in the Department for Work and Pensions given the many linkages in benefits paid and the crossover of fraudulent activity. They also work with national fraud and investigation agencies including the Police and the National Anti Fraud Network Initiative. The latter links many bodies together to allow improved and co-ordinated anti fraud work. Reports of the fraud work are presented to the Council Excellence Overview and Scrutiny Committee as part of the regular report on Revenues Benefits and Income.

4.2. The Government strategy for tackling welfare fraud and error was published in October 2010 and sets out a commitment to create a Single Fraud Investigation Service (SFIS) to investigate Benefit and Tax Credit fraud. This commitment was to be achieved by bringing together investigation staff from Local Authorities (LA), Department for Work and Pensions (DWP) and Her Majesties Revenues and Customs (HMRC). Since October 2010 the DWP has engaged with LA representatives along with Benefit and Tax Credit fraud practitioners to understand the challenges involved with designing a single service. The recent DWP led engagement exercise and its responses will inform further work and the DWP will continue to consult on proposals once they are more fully formed.

4.3. A key concern and driver from LAs has been the need for a clear direction regarding the creation of SFIS by autumn 2011 to inform the financial and planning rounds along with the clear staffing issues and ongoing operational fraud work requirements that local authorities have. The proposals have had to take account of the wider LA fraud strategy being developed in conjunction with the Department for Communities and Local Government (DCLG) and the National Fraud Authority, and LA capacity to deal with other fraud.

4.4. This is also linked to the Government announcement that it will localise support for Council Tax from April 2013 (Council Tax Rebate). In August 2011 DCLG published its consultation, Localising Support for Council Tax in England, which set out proposals on key elements of a framework for local support for Council Tax, and is seeking views on all aspects of the proposed approach, including the investigation of fraud. The Wirral response was agreed by Cabinet on 22 September 2011.

4.4. The current fraud investigation arrangements mirror the existing split in welfare provision with local authority investigators covering Housing and Council Tax Benefits fraud, DWP investigators covering DWP administered benefits and HMRC responsible for investigating Tax Credits fraud. The split between DWP and local authorities has largely been in place for 30 years and specialisms and experience in dealing with specific types of fraud have developed. While this has resulted in some variations in policy, practice and operational responsiveness local authorities liaise and work closely with the DWP.

4.5 Due to the overlap in the customer base across these benefits and credits, fraud affecting one benefit or credit can also affect those administered by the other parties. This can then require duplication of investigation resources in order to tackle all such frauds simultaneously.

4.6. Measures in the Welfare Reform Bill represent significant changes to the welfare system. The proposed creation of a Universal Credit to combine and replace several benefits and credits for people of working age has provided the opportunity to look at welfare benefit fraud investigation and how to address inefficiencies in the current arrangements.

4.7 The proposal is that in tandem with Universal Credit starting in 2013 the Government plans to introduce a new Single Fraud Investigation Service for all welfare fraud to maximise efficiency and consistency. The proposal takes into account the gradual shift to Universal Credit through to 2017 although a clearer understanding of the service is expected to be available by 2015.

4.8. The DWP has worked with key stakeholders over the last few months in the Security Operation Group and the Joint Local Authority Association and DWP Fraud and Error Steering Group, as well as engaging directly with LA benefit fraud investigation through conferences in England, Scotland and Wales. Having listened to the representations and concerns from Local Authorities and other stakeholders with regard to SFIS and in developing the options the DWP has sought to recognise and address those concerns.

4.9. DWP has identified four options for LA staff joining SFIS. The first two relate to LA staff remaining LA employees, while the second two relate to LA staff becoming employees of DWP.

Option 1. LA staff remain employed by LAs, but operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option would allow LAs the flexibility to redeploy resources to meet other LA priorities if required.

Option 2. LA staff remain employed by LAs and remain situated in LAs but are seconded to the DWP. This option means all LA investigation staff are under formal secondment to DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option would allow LAs a limited degree of flexibility to recall and redeploy resources to meet other LA priorities, under the terms of a secondment agreement.

Option 3. LA staff become DWP employees but deliver investigation locally from LA offices. This option means all LA investigation staff become DWP employees and operate under SFIS powers, policies, processes and priorities but do not move physically. This brings LA investigation staff into SFIS under both management and procedural changes.

Option 4. LA staff become part of the DWP working within DWP offices as DWP employees and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes.

4.10 The key factors taken in to account are summarised below for each alternative:

Option 1: LA staff remain employed by LAs, operating under SFIS powers, policies, processes and priorities.

All LA investigators are employed exclusively on benefit fraud and remain LA employees based in LA offices operating under SFIS powers, policies, processes and priorities. Under the Welfare Reform Bill SFIS investigators will have wider investigative powers. The investigation and prosecution policy will be the same for all welfare benefit fraud and SFIS operational processes will be agreed by 2013. This option brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option allows LAs flexibility to redeploy resource to meet LA priorities.

Legality – This utilises existing powers for investigation but work needs to be done on the Tax Credit element (HMRC) of investigations.

Cost / Financial implication – initial estimates are that costs would be lower but financial implications need to be fully evaluated after responses are considered alongside other changes made in local government finance

Viability – this option is achievable by 2013 as the status quo remains in place until firmer decisions regarding Universal Credit are taken. It works in line with the localism agenda, supporting flexibility for LAs to deal with Council Tax and other LA fraud, and allows local knowledge to remain in the hands of the investigators.

People Impact – terms and conditions, locations and skills remain static at least until the organisation of Universal Credit is decided.

A key consideration for LAs, over and above the stability gained by maintaining the status quo, is that LAs retain the qualified staff that will be able to investigate Tax Credit fraud once the SFIS powers are implemented and there should also be flexibility to redeploy resources to other LA priorities.

Option 2: LA staff remain in LA estate employed by LA and are formally seconded to SFIS.

This option means all LA investigators employed full time on housing benefit fraud remain LA employees based in LA offices under a formal secondment to the DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option should allow LAs a degree of flexibility to recall and redeploy resource to meet other LA priorities, under the terms of the secondment agreement.

Legality – This utilises seconded staff who take on the same powers as current DWP staff. DWP staff have existing powers for investigation which have been enhanced to cover HMRC Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk – costs would need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – Secondment arrangements may be difficult to implement and sustain over long periods.

People Impact – staff remain with the same employer but work to DWP policies and procedures. This has the capacity to cause tensions within the workplace and further long term secondments may be difficult to maintain and may not offer staff security.

Fraud & Error Strategic Fit – although this fits with the fraud and error strategy, it only does so with potentially time limited secondment arrangements.

Other key things to consider for this option are: It enables central control of operations and outputs but allows the delivery of a local investigation service.

Key considerations for LAs are that the management and measurement of work and outputs, and of staff handling and responsibility would need to be agreed and implemented. It would not necessarily be as easy for SFIS staff in LA bases to investigate other LA fraud as staff have been seconded to DWP, although there is the flexibility for LAs to recall and redeploy staff to other LA duties under the terms of a secondment agreement.

The other considerations that Options 1 and 2 bring for the Authority are that if fraud work decreases then the Authority could face any consequential redeployment or redundancy issues which under a transfer to DWP would fall to the DWP to resolve. Under both of these options I would not expect the Authority to undertake prosecution of Benefits Fraud as the Council would utilise regional DWP Solicitors for all court actions.

Option 3: LA staff become DWP employees but deliver investigation locally from the LA Offices.

This option supports investigations to be directed by the SFIS powers, policies, processes and priorities. It also has the advantage of allowing LA investigators employed full time on housing benefit fraud to remain in their existing bases and link more closely with other parts of the local authority to combat other fraud but as DWP employees.

Legality –brings all staff together as DWP employees. DWP has existing powers for investigation which will be enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk –costs need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – the work required by DWP to transfer LA staff to DWP is challenging and DWP concedes it may not be achievable by 2013.

People Impact – These changes will lead to a great deal of uncertainty, with work required to align salaries, allowances and management activity.

Fraud & Error Strategic Fit – it mirrors the requirements of the strategy and allows a single management structure with common IT and investigation processes. However as LA and other SFIS teams are not co-located there is the risk of a loss of efficiency.

Key considerations for LA include the potential cost of continued office hosting and the loss of trained LA staff to the DWP no longer easily able to consider other LA fraud.

Option 4: LA staff become part of the DWP working within DWP offices as DWP employees.

This option aligns people, processes, IT systems and office bases. It can enable flexibility and prioritisation by type of fraud, geographical location and areas of greatest loss.

Legality – This option has all staff co-located together as DWP employees. DWP has existing powers for investigation which will be enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk –costs would need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – This option is unlikely to meet delivery of SFIS by 2013, owing to the HR and office estate work that would be required.

People Impact – Salaries, pensions, local allowances, vehicles, equipment and moving location will all be a considerable source of concern and uncertainty for the staff involved along with additional cost.

Fraud & Error Strategic Fit – This does mirror the requirements of the strategy and allows a single management structure with common IT and investigation processes.

Other key things to consider are: that it provides swift resolution and offers a degree of certainty of joining SFIS for investigation staff. There would be issues around the accountabilities for Section 151 officers and the option is not flexible enough to respond to the changing environment. From a DWP viewpoint this is the costliest and riskiest option.

Key considerations for LAs are the risks around Section 151 officer responsibilities, the loss of key trained staff, the impact on the localism agenda and the consideration of other LA fraud investigation

4.11 Options 3 and 4 highlight that the DWP sees these as high risk or unachievable options in the available timescale. This is starkly set against the DWP view with regard to the expectations on local authorities in respect of the other imminent welfare changes. This proposal is far less complex to introduce in administrative and IT changes for staff and customers than the Universal Credit proposals and the proposals to "localise" Council Tax Rebate.

4.12 In its consultation paper the DWP recognises the Government commitment to decentralising power away from Whitehall. At the same time, the Government is also committed to delivering significant efficiency savings where central co-ordination can demonstrably deliver them and where centrally co-ordinated action can increase transparency and achieve the largest economies of scale. Whilst the DWP believes that SFIS will benefit from central co-ordination, it is accepting that it should also offer sufficient flexibility to allow those at the front line to tailor their services to local circumstances in order to realise further efficiencies.

4.13 The DWP initial analysis of the options has concluded that Option 1 is the most practical and attainable from a DWP perspective and allows the most flexibility of delivery at least until 2015.

4.14 It is also noteworthy that Option 1 as proposed has the potential to be a workable strategy for the delivery of Universal Credit with the DWP administering personal based benefits and credits with the local authority continuing to administer housing related benefits under the new Universal Credit rules, after personal awards are made. This would maximise local experience and significantly limit massive IT development which is fraught with issues for the Government. If this fraud model is shown to work positively then it will assist local authorities in showing how such an alternate delivery model to a wholly centralised administration of Universal Credit can be a successful and efficient localised way forward.

4.15 DWP is seeking LA input during October 2011 to inform the final preferred option. DWP will then provide a summary response of the feedback received. The decision on which option is chosen will be made by the DWP and is scheduled for November 2011.

5.0. **RELEVANT RISKS**

5.1. By adopting the best option this should mitigate as much as possible the risk of fraud and ensure the anti fraud culture remains in place locally as well as nationally. The risk of a loss of local anti-fraud work and the Council not being able to direct fraud resources is minimised by the adoption of the DWP proposed option.

6.0. **OTHER OPTIONS CONSIDERED**

6.1. The four alternatives outlined are the only options for consideration.

7.0. **CONSULTATION**

7.1. Consultation is being undertaken by the DWP and local authorities are co-ordinating their response via the professional body, CIPFA.

8.0 **RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 **FINANCIAL:** With regard to the proposed way forward (Option 1) initial estimates are that overall costs would be lower than the other options, but other implications will need to be fully evaluated after consideration of responses, and impacts considered alongside other changes being made in local government finance.

8.2. **IT:** LA staff would still access the existing IT systems of both the LA and DWP. Further integration of current IT systems could be complex and costly with further evaluation required on new systems or linking existing systems.

8.3. **STAFFING:** Under Option 1 staff remain in LA employment but this would need to be subject to review once the organisation of Universal Credit is determined. However, until then, the option provides a degree of stability, minimises disruption and maximises effectiveness.

8.4. **ASSETS**: Option 1 would see no change with LA staff based in LA offices as now and this would be the case at least until the way forward under Universal Credit is further determined in 2015.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 An Equality Impact Assessment (EIA) is not required specifically as part of this option appraisal although EIA’s are in place for the current working procedures in the Benefits Section.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 None.

13.0 REPORT AUTHOR: **Malcolm Flanagan**
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14 Appendices

14.1 None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

CABINET

13 OCTOBER 2011

SUBJECT:	**CORPORATE GOVERNANCE**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**CHIEF EXECUTIVE**
RESPONSIBLE PORTFOLIO HOLDER:	**COUNCILLOR STEVE FOULKES**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The proposed initial report, which will be considered at the first meeting of the Cabinet Committee, is appended for noting.

2.0 RECOMMENDATION

2.1 That Cabinet notes the initial report (appended) which will be considered at the first meeting of the Cabinet Committee, set up by Cabinet on 22 September 2011 to drive forward changes in the way the Council is run.

3.0 REASONS FOR RECOMMENDATION

3.1 The Cabinet Committee was set up to drive forward changes in the way Council is run, following a recent independent report (by AKA Ltd, the trading name of Anna Klonowski Associates Limited) which criticised the Corporate Governance of the Council. The proposed initial report to the Cabinet Committee is appended and sets out the issues which the committee needs to address.

3.2 The Terms of Reference include the need to report “to Cabinet and/or full Council with feedback reports and/or recommendations as appropriate”.

4.0 BACKGROUND

4.1 AKA were engaged by the former Leader of the Council to undertake an independent review of the Council’s response to claims made by Mr Martin Morton. AKA produced a Supplemental Report entitled ‘Wirral Metropolitan Borough Council’s Corporate Governance Arrangements: Refresh and Renew’ (The Corporate Governance Report) which summarises organisational weaknesses which the Council has failed to address.

4.2 Cabinet considered the report on 22 September 2011 and resolved to accept the criticisms unreservedly and the recommendations designed to help the Council move forward.

4.3 Cabinet resolved to establish a time limited Cabinet Committee [The Corporate Governance Committee] tasked with driving forward the changes which need to be made in the way the Council is managed and in the organisational culture. The first meeting of the Committee is to be "as soon as is practicable in October", and it is anticipated that its work will be concluded by 31 March 2012.

4.4 The proposed initial report to the Corporate Governance Committee is appended.

4.5 Cabinet also noted that it believed that the issues raised in The Corporate Governance Report should transcend party politics and that the Leader would "be seeking to discuss with both opposition party leaders opportunities for all three parties to work together to help resolve the issues raised". To this end, Anna Klonowski, and all three parties' leaders and deputy leaders will be meeting together on 12 October 2011. All members of the Council have been invited to a presentation from Anna Klonowski on 27 October 2011.

5.0 RELEVANT RISKS

5.1 Failure to identify, agree and implement a comprehensive programme to address issues will mean that the deadline for implementation identified in the independent review (April 2012) will not be met.

6.0 OTHER OPTIONS CONSIDERED

6.1 None: the report seeks to progress the Cabinet resolution of 22 September 2011.

7.0 CONSULTATION

7.1 None: the report seeks to progress the Cabinet resolution of 22 September 2011.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 The objective is to improve corporate governance: this underpins how the Council engages with the community.

9.0 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS

9.1 None directly arising from this report, although there may be resource implications of decisions made by the Cabinet Committee.

10.0 LEGAL IMPLICATIONS

10.1 Until the existing legislation is repealed, the Council could be subject to an external corporate governance inspection under Section 10 of the Local Government Act 1999.

11.0 EQUALITIES IMPLICATIONS

11.1 Equalities is an area of corporate governance weakness identified by AKA.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 None.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None.

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REFERENCE MATERIAL

SUBJECT HISTORY

Council Meeting	**Date**
Cabinet	**22 September 2011**

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WIRRAL COUNCIL **APPENDIX**

CORPORATE GOVERNANCE CABINET COMMITTEE

XX OCTOBER 2011

SUBJECT:	**CORPORATE GOVERNANCE**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**CHIEF EXECUTIVE**
RESPONSIBLE PORTFOLIO HOLDER:	**COUNCILLOR STEVE FOULKES**
KEY DECISION?	**NO**

EXECUTIVE SUMMARY

1.1 The report is presented in response to the Cabinet resolution of 22 September 2011, to set up a Cabinet Committee to drive forward changes in the way the Council is run.

2.0 RECOMMENDATIONS

2.1 That the Cabinet Committee:

a) Notes the Terms of Reference for the time-limited Committee (to 31 March 2012) and suggests any amendments and/or additions.
b) Notes the membership of the Cabinet Committee to 31 March 2012.
c) Agrees a schedule of meetings which ties in to the existing three-weekly Cabinet cycle to 31 March 2012 when it is anticipated that the role of the Cabinet Committee in relation to Corporate Governance will come to an end.
d) Agrees the proposed whole-systems approach, including the creation of a turnaround team. Proposals for the composition of this turnaround team are presented elsewhere on the Committee's Agenda for this meeting, together with a proposed comprehensive programme of activities.
e) Notes that proposals for the review of Internal Audit are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.
f) Notes that proposals for the review of Legal and Committee Service Team are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.
g) Notes that proposals for the review of Performance Management are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.
h) Notes that proposals for the establishment of a dedicated Policy Unit are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.

i) Agrees a review of all reports submitted by the Officers to any Committee of the Council within the last 3 months from a Corporate Governance perspective by the turnaround team to identify opportunities for improvement. This will be included as part of the comprehensive programme.

3.0 REASONS FOR RECOMMENDATIONS

3.1 The Council is responding to a recent independent report (by AKA Ltd, the trading name of Anna Klonowski Associates Limited) which criticised the Corporate Governance of the Council. Failure to respond appropriately would mean that the Council and its residents remain at risk of:

a) service failure
b) external inspection under the Local Government Act 1999
c) failure to respond appropriately to the self improvement regime anticipated from April 2012

4.0 BACKGROUND AND KEY ISSUES

4.1 Background

4.1.1 AKA were engaged by the former Leader of the Council to undertake an independent review of the Council's response to claims made by Mr Martin Morton. AKA produced a Supplemental Report entitled 'Wirral Metropolitan Borough Council's Corporate Governance Arrangements: Refresh and Renew' (The Corporate Governance Report) which summarises organisational weaknesses which the Council has failed to address.

4.1.2 Cabinet considered the report on 22 September 2011 and resolved to accept the criticisms unreservedly and the recommendations designed to help the Council move forward.

4.1.3 Cabinet resolved to establish a time limited Cabinet Committee [The Corporate Governance Committee] tasked with driving forward the changes which need to be made in the way the Council is managed and in the organisational culture. It is anticipated that the work of this Cabinet Committee will be concluded by 31 March 2012.

4.1.5 Cabinet also noted that the Leader will be seeking to discuss with both opposition party leaders for all three parties to work together to help resolve the issues raised.

4.1.4 The Governance Report proposes a number of work streams to address the issues:
1) A Councillor Working Group supported by Officers
2) Taking the Lead Delivery Team

3) Review and Improve Corporate Governance Development and Training across the Council
4) System Stress Tests across the Council
5) Corporate Governance Amnesty

4.1.5 Cabinet also asked the Cabinet Committee to

a) consider an initial report (from the Director of Finance) on ways to strengthen the Council's Internal Audit Team.
b) consider an initial report (from the Director of Law, HR and Asset Management) on ways to strengthen Legal and Member Services.

4.1.6 Cabinet additionally referred proposals in respect of Performance Management to the Corporate Governance Committee. The resolution states: "In the light of the recent receipt of the independent report on Corporate Governance, Cabinet believes this report [Performance Management] should first be referred to the newly set up Cabinet Committee [The Corporate Governance Committee] in order to ensure that it meets all the necessary requirements to help the Council tackle the major problems ahead."

4.1.7 On 29 September 2011, Employment and Appointments Committee agreed that the Cabinet Committee considers the creation of a dedicated Policy Unit working directly to the Chief Executive, and the creation of a new post of Head of Policy Unit.

4.1.8 It is proposed that this initial meeting of the Cabinet Committee therefore:

a) notes the Terms of Reference for the Committee, including membership and frequency of meetings
b) considers the proposed methodology of a governance review as a basis of addressing the issues in the report
c) considers potential responses to specific service issues, namely:
    i) resourcing a turnaround team
    ii) Internal Audit
    iii) Legal and Committee Service Team
    iv) Performance Management
    v) Policy Unit

4.2 Terms of Reference

4.2.1 The initial Terms of Reference are recommended in The Corporate Governance Report and have been confirmed by the Leader to be:

a) Assessing and reporting on Wirral Council's current performance against seven Corporate Governance questions;
    i) How well are the authority's policies implemented in practice?

ii) How well are the authority's values and ethical standards met?
iii) How well are laws and regulations complied with?
iv) How well are required processes adhered to?
v) Are financial statements and other published information accurate and reliable?
vi) Are human, financial and other resources managed efficiently and effectively?
vii) Are high quality services delivered efficiently and effectively?

b) Identifying and agreeing recommendations that will address existing shortfalls and/or deliver improvements required by Sector self-regulation and Improvement, and existing CIPFA guidance setting out what good governance looks like.
c) Agreeing, initiating and overseeing the individual work streams and co-ordinating the collective work programme required to deliver the Wirral MBC "Taking the Lead" initiative.
d) Agreeing and monitoring "delivery trajectories" for each workstream.
e) Making regular progress and performance reports to the Council's Cabinet and Scrutiny functions.
f) Where necessary, seeking approval to make changes that impact positively on Corporate Governance and, if required, make recommendations to the appropriate governance body authorised to make such changes.
g) Reporting to Cabinet and/or full Council with feedback reports and/or recommendations as appropriate.

4.2.2 Cabinet has resolved that there will be five Members of The Governance Committee including The Leader and Deputy Leader of the Council. The other members, determined by the Leader, are the Cabinet members for Corporate Resources, Children's Services and Lifelong Learning, and Social Care and Inclusion.

4.2.3 Given the urgency which Cabinet requires the issues raised in The Governance Report to be addressed (by April 2012), and the considerable workload already identified, The Governance Committee may wish to consider the frequency of its meetings and tie them in to the Cabinet cycle to enable regular reporting.

4.3 Corporate Governance Overview

4.3.1 The Governance Report identifies ten areas of Corporate Governance and suggests that the Council needs to address issues in eight of those areas.

Area of Corporate Governance	AKA Assessment (X= issues to be addressed)
Financial Issues	X
Member Capacity	X
Officer Structures	X
Service Quality	X
Corporate Planning	X
Partnership Working	
Procurement	X
Community Engagement	
Risk Management	X
Equalities	X

4.3.2 Additionally, Members may also wish to review specific service areas to ensure best practice from a governance perspective. The Governance Report clearly identified Internal Audit and Committee Services as areas, which if strengthened, will enhance corporate governance.

4.4 Proposed methodology

4.4.1 In order to answer the fundamental questions laid out in the terms of reference for the Governance Committee (4.2.1(a) above) and therefore to address issues identified at 4.3.1 above, it is essential to understand:

a) how the Council currently performs in relation to each issue,
b) how the Council should be performing and
c) to identify and implement an improvement plan which will deliver significant improvements in process and outcomes by 31 March 2012.

4.4.2 It will therefore be necessary to apply ‘stress tests’ in each area of governance, to establish current performance and further to ensure that any improvement plan has been effectively implemented.

4.4.3 The Governance Committee will be supported by the three Statutory Officers of the Council (Chief Executive, Monitoring Officer and Section 151 Officer); however, the approach requires a dedicated turnaround team working closely with and on behalf of the Governance Committee to drive improvement in a co-ordinated and timely manner. The Governance Committee will need to hold Members and Officers to account in order to maximise performance and improvement.

4.4.4 Prioritisation of Issues

a) Many of the issues are inter-related: it will therefore be necessary to develop a whole-systems approach rather than dealing with issues in isolation. However, the critical issue facing the Council is the need to provide appropriate services within the context of diminishing resources. These services need to be provided in such away that service delivery can be held to account and corporate governance reinforced. These issues will underpin service delivery for the foreseeable future.

b) Therefore, the Council must address the overarching Corporate Planning Framework and underpinning processes in tandem with annual budget planning and medium term financial strategy development.

c) Given that the Council is aware of the likely resources for the following three years, key issues revolve around the service implications of the resources allocated. Critical to this process is service planning (at team, service and departmental level), and the corporate understanding of relative risk in business decisions. Corporate performance monitoring underpins this approach.

4.4.5 Examples of basic Stress Tests

The following are examples of basic stress tests. It is not a comprehensive programme, but rather it illustrates how an integrated programme will be developed.

a) <u>Strengthening the instruments of governance</u>:
- How many reports go to Members or the Executive Team without appropriate finance and legal involvement? Does the governance framework prevent this?
- How do the Members, and the statutory officers know if appropriate corporate functions, including finance and legal teams, have been involved in the development of policy and/or service development?

b) <u>Officer Structures</u>
- How is accountability exercised in corporate functions? How do appointments to devolved corporate functions occur?
- Policy function – Do Members and officers understand the potential role and function of a Policy Unit? How does/should the policy unit work with the Members and the Departments? Do Members and officers understand the distinction between Policy and Performance?
- Performance function – Do Members and officers understand distinction between Performance Management and Performance Monitoring and how this is linked to the Member and Officer Accountability and Responsibility frameworks?

c) Equalities and Diversity

- How well is the Equalities and Diversity legislation understood by Members and Officers? How does the Council ensure that policy development, service delivery and recruitment processes meet the requirements of Equalities and Diversity legislation together with meeting community needs?

d) Service Quality - Specific Services

- DASS – how well is the Department is performing particularly in response to criticisms levied by external agencies.
- HESPE – how did the Council find itself in the position where the Audit Commission qualified its value for money achievements?

e) Service Quality – Corporate Functions

- Fees and Charges: Service managers are responsible for charging policies and their implementation in conjunction with the Director of Finance. How do Members know that all risks have been considered in proposals? Are the implications, including those of equality and diversity, for users and the Council clearly identified? Have all legal issues been addressed?
- Procurement – Are formal procurement processes embedded consistently across the whole Council? Do Members and officers understand the rules? How does each department's procurement plans link to service planning? How do Members and the Statutory Officers know that the rules have been followed?

5.0 RELEVANT RISKS

5.1 Embedded appropriate corporate governance arrangements ensure that:

a) Authority policies are implemented in practice,
b) Authority values and ethical standards are met,
c) Laws and regulations are complied with,
d) Required processes are adhered to,
e) Published information is accurate and reliable,
f) Human, financial and other resources are managed efficiently and effectively, and
g) High quality services are delivered efficiently and effectively.

A failure in effective corporate governance therefore means there is a risk that these fundamental issues have not been met.

6.0 OTHER OPTIONS CONSIDERED

6.1 None: the Corporate Governance Report sets out issues and recommendations identified by an independent external review commissioned on behalf of the Council. The proposals in this report follow the recommendations of the Corporate Governance Report.

7.0 CONSULTATION

7.1 A vulnerable group of people with learning disabilities in the care of Wirral Council was abused by this Council over many years. It is imperative that the Council addresses all the weaknesses that contributed to this unacceptable outcome.

7.2 Opportunities for Members to review progress by engaging with officers and citizens will be included in the comprehensive improvement programme.

7.3 Where appropriate external agencies, councillors and officers from other authorities will be consulted and asked to share knowledge.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 The objective is to improve corporate governance which underpins how the Council engages with the community.

9.0 RESOURCE IMPLICATIONS

9.1 Financial, IT and assets: none directly arising from this report

9.2 Staffing: should the Committee choose to bring together a time limited turnaround team to help deliver the identified improvement programme, there will be implications on the service areas from which the team is drawn.

10.0 LEGAL IMPLICATIONS

10.1 Until the existing legislation is repealed, the Council could be subject to an external corporate governance inspection under Section 10 of the Local Government Act 1999.

11.0 EQUALITIES IMPLICATIONS

11.1 Equalities is an area of corporate governance weakness identified by AKA. It is identified in this report as a priority.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 None.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None.

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REFERENCE MATERIAL

SUBJECT HISTORY

Council Meeting	Date
Cabinet	**22 September 2011**

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