

## ISUS

### **Background**

- 1.1 On 1<sup>st</sup> April 2009 the North West Development Agency (NWDA) introduced a Regional Business Start Programme called Intensive Start-Up Support (ISUS).
- 1.2 Funding was made available by the NWDA and European Regional Development Funding (ERDF) to support the ISUS programme.
- 1.3 NWDA employed A4e to act as managing agents and auditors to the ISUS programme. A4e managed the ISUS programme on behalf of NWDA.
- 1.4 The NWDA undertook a tendering exercise to invite suppliers to tender to deliver its programme for the North West. Successful suppliers were then invited to become members of an approved panel.
- 1.5 Local authorities like Wirral were selected as delivery partners. Wirral undertook its own mini tender exercise from the approved suppliers on the NWDA list to deliver the scheme. The Request for Tender was drafted with the template used by the NWDA.
- 1.6 Following evaluation of the submitted tender documents, Enterprise Solutions was awarded the contract, having scored highest.
- 1.7 The NWDA set a target of 676 new business start-ups for the three-year programme, and provided an allocation of £1,593,863 to achieve this and other agreed outputs.
- 1.8 Wirral Council set its own, increased target of 900 new business start-ups, having identified this number as being necessary to assist in closing Wirral's enterprise gap, as identified in the Regional Economic Strategy.
- 1.9 The authority therefore agreed to provide £386,137 of Wirral's Working Neighbourhoods funding to supplement NWDA's allocation.
- 1.10 Before ISUS, Wirral Council already had its own business start programme, offering a wider range of support. In its tender, Wirral specified that it might wish to procure these additional services because of their proven benefits to the programme.
- 1.11 This additional work was awarded to Enterprise Solutions (NW) Limited in December 2009<sup>1</sup> and was formalised by a separate agreement between the Council and Enterprise Solutions (NW) Limited.
- 1.12 To maximise the amount of support that could be given to businesses from the Council's funding allocation, grants were restricted to £500 per business.
- 1.13 Enterprise Solutions (NW) Limited employed a number of Business Advisors to deliver elements of the programme.

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<sup>1</sup> Approved by Cabinet 26<sup>th</sup> November 2009. Website link:  
<http://democracy.wirral.gov.uk/ieListDocuments.aspx?CI=121&MI=732>

## **Complainants**

- 2.1 In June 2011 a former employee of Enterprise Solutions raised concerns about the BIG and ISUS grant programmes. The complainant was latterly joined by a second former employee in raising concerns.
- 2.2 On 29<sup>th</sup> June 2011, a complainant emailed Invest Wirral and Enterprise Solutions with their concerns. On 30<sup>th</sup> June 2011, the complainant telephoned Invest Wirral to reiterate these concerns.
- 2.3 On 5<sup>th</sup> July 2011 Wirral Council's Director of Regeneration and representatives of Invest Wirral met the complainant to discuss the issues raised. Following this meeting, the matter was raised with NWDA.
- 2.4 A summary of the complainants' allegations is included in Grant Thornton's final report documentation.
- 2.5 On 12<sup>th</sup> August 2011 these allegations were reported to internal audit, and an investigation was commenced into the issues raised, latterly conducted by the Council's Chief Internal Auditor.

## **Review of Internal Audit draft reports**

- 3.1 Following the decision of the Council's Chief Internal Auditor to retire Wirral Council's Chief Executive requested that the Interim Director of Finance review the reports in their current, draft form.
- 3.2 The Interim Director of Finance reported that the draft Internal Audit BIG report would not stand up to an external review of the working papers and supporting evidence, and that this would also apply to the draft Internal Audit ISUS report.
- 3.3 The draft Internal Audit reports were not made publicly available at this point in order not to prejudice any possible future investigations into the complainants' concerns, not, as has been suggested, because the reports were critical of council officers.
- 3.4 The Interim Director of Finance recommended that an external firm of accountants or solicitors specialising in investigations for local authorities reviewed the evidence, allegations and investigations that had taken place.
- 3.5 In October 2012, following a tender process, Grant Thornton were appointed to deliver this work.

## Grant Thornton's ISUS report

- 4.1 The ISUS report was received by Wirral Council in draft form in March 2013.
- 4.2 While there was no suggestion of illegality or wrongdoing by Council officers, Grant Thornton's report strongly discouraged the Council from sharing its findings with Enterprise Solutions if it concluded that further investigation was applicable<sup>2</sup>.
- 4.3 Grant Thornton recommended that the Council considered referring the matter to the Police<sup>3</sup>.
- 4.4 Upon receipt of the external investigator's draft reports, and recognising that publication could have had the potential effect of prejudicing any further investigation by other parties<sup>4</sup>, the Leader of the Council announced that he had referred the ISUS report to the Department of Business, Innovation and Skills and to the Police, for them to decide whether to investigate other parties further.
- 4.5 On 23<sup>rd</sup> April 2014 the Police wrote to the Council advising that no action was to be taken following receipt of Grant Thornton's draft reports, commenting on the Council's openness and assistance during the enquiry. The Council reported the Police response to the external investigator.
- 4.6 The finalised report was received by Wirral Council on 2<sup>nd</sup> May 2014.
- 4.7 The key findings of the ISUS report relating to Wirral Council were:
  - No concerns were identified regarding the integrity or honesty of any Council employees<sup>5</sup>.
  - The investigator was given the access it required to Wirral Council and Invest Wirral employees<sup>6</sup>, as well as to all information and documents held by the Council.
  - Wirral Council and Grant Thornton had both experienced difficulties in accessing Enterprise Solutions records<sup>7</sup>.
  - Wirral Council could not be expected to 'audit the auditors' i.e. to look for weaknesses in A4e's work<sup>8</sup>.
  - The investigator says that, by deciding to undertake monitoring reviews of the businesses supported when the ISUS programme ended (as was the responsibility of Enterprise Solutions) the Council has allowed Enterprise Solutions to avoid fulfilling one of its contractual obligations<sup>9</sup>.

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<sup>2</sup> ISUS Report p83 para. 9.12

<sup>3</sup> p83 para. 9.18

<sup>4</sup> p83 para. 9.20

<sup>5</sup> ISUS Summary Report p2 para. 1.13

<sup>6</sup> ISUS Summary Report p2 para. 1.13

<sup>7</sup> ISUS Report p4 para. 2.11

<sup>8</sup> ISUS Summary Report p15 para. 2.51

<sup>9</sup> ISUS Report p10 para. 3.22

- Because of this, a significant amount of public money (in the form of Council officers' time) has been wasted on a 'basic point of contract compliance'<sup>10</sup>.
- However, Grant Thornton said it could not reach a definitive conclusion as to whether the anomalies described in their report resulted in overpayment<sup>11</sup>.
- The report suggests that Wirral Council should obtain legal advice to quantify any loss it may have suffered<sup>12</sup>.
- Grant Thornton recommends that this advice should be sought against a backdrop in which one litigant (ISUS 1) has concluded that costly litigation against Enterprise Solutions should be avoided on the understanding that Enterprise Solutions has few resources with which to compensate him<sup>13</sup>.
- Given the complexity of this matter and key evidence such as the complete CRM database not being available, the Council's Head of Legal and Member Services has recommended that action to recover specific sums should only be considered if the requisite evidential test is met. The litigation risk is a material and significant consideration at this time given the difficulties in securing all the relevant evidence.
- Grant Thornton's report asks if the Council should consider whether the sample reviewed was sufficiently large and/or representative to merit litigation or Police investigation<sup>14</sup>.
- They also recommend that Wirral Council continues to search for a full set of contractual information and the CRM database<sup>15</sup>.
- The report also recommends that Wirral creates a repository of signed contracts<sup>16</sup>.

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<sup>10</sup> p26 para. 4.56

<sup>11</sup> p34 para. 5.4

<sup>12</sup> p82 para. 9.7

<sup>13</sup> p82 para. 9.10

<sup>14</sup> p15 para. 3.52

<sup>15</sup> p8 para. 3.13

<sup>16</sup> p85-86 para. 9.34

## **Conclusion**

- 5.1 The ISUS scheme was set up and administered by the NWDA, with A4e as managers and auditors, with some funding support provided by Wirral Council to meet the local authority's economic objectives.
- 5.2 The scheme ran from October 1<sup>st</sup> 2009 to December 31<sup>st</sup> 2011.
- 5.3 The recorded outputs from the ISUS scheme met the initial target set by NWDA by achieving 877 new business starts (initial target was 676). This fell slightly short of Wirral Council's target of 900 new business starts.
- 5.4 The scheme created 1,095 new jobs, short of the NWDA target of 1,216.
- 5.5 For both these outputs it should be noted that the dissolution of the NWDA meant that the scheme did not run its full course.
- 5.6 At the end of 12 months of the scheme, 94% of new businesses were still trading, which surpassed the 93% target set by the NWDA.
- 5.7 The ISUS scheme can thereby be said to have been a mostly successful funding programme, which had significant positive impacts on Wirral's economy and business environment.

## **Notes on Redaction**

- 6.1 The reports were redacted using the following criteria:
- 6.2 It is widely reported that the company at the centre of these investigations was Enterprise Solutions Limited (also trading as Wirral Biz). This is clear from Council documentation including committee reports and other documentation that is available to the public through our normal disclosure policy.
- 6.3 As such no redaction has been undertaken in respect of Enterprise Solutions or its directors as this information is publicly available.
- 6.4 The Council has a policy in relation to disclosure of officer's names and where council officers may have been named within the reports this policy, based on pay scale and position, has been applied to protect their identity.
- 6.5 Similar protection has been applied to individuals employed either directly or as consultants by Enterprise Solutions – and therefore no individual engaged by Enterprise Solutions has been named.
- 6.6 Information that has been considered commercially sensitive has also been redacted. Whilst a number of the companies referred to in these reports are Limited companies and as such have their accounts on record at Companies House, there are instances where financial information is far greater and more detailed than that filed at Companies House and as such all financial information has been withheld from publication.
- 6.7 There are documents, specifically contract documents within the Appendices, that Wirral Council are not the publishers and as such may also be deemed commercially sensitive.