



## Notice of meeting of

### Executive Member For Corporate Services and Advisory Panel

|               |   |
|---------------|---|
| <b>To:</b>    | Councillors Healey (Chair), Jamieson-Ball (Executive Member), Looker, Pierce and R Watson |
| <b>Date:</b>  | Tuesday, 18 March 2008  |
| <b>Time:</b>  | 5.30 pm   |
| <b>Venue:</b> | The Guildhall, York   |

## AGENDA

### Notice to Members - Calling In:

Members are reminded that, should they wish to call in any item on this agenda, notice must be given to Democracy Support Group by:

**10:00 am on 17 March 2008**, if an item is called in *before* a decision is taken, *or*

**4:00 pm on 20 March 2008**, if an item is called in *after* a decision has been taken.

Items called in will be considered by the Scrutiny Management Committee.

### 1. **Declarations of Interest**

At this point, members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

## **2. Exclusion of Press and Public**

To consider the exclusion of the press and public from the meeting during consideration of the following:

Annexes A-C to Agenda Item 7 (National Non-Domestic Rates, Sundry Debtors, Council Tax and Overpaid Housing Benefit and Car Park Charges Accounts Submitted for Write-Off) on the grounds that it contains information which is likely to reveal the identity of an individual and relating to the financial or business affairs of any particular person. This information is classed as exempt under paragraphs 2 & 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

Annexes 2 & 4 of Annex A to Agenda Item 9 (Audit & Fraud Shared Service – Business Options) on the grounds that it contains information relating to any individual and the financial or business affairs of any particular person (including the authority holding that information). This information is classed as exempt under paragraphs 1 & 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

## **3. Minutes (Pages 1 - 6)**

To approve and sign the minutes of the meeting of the Executive Member for Corporate Services and Advisory Panel held on 29 January 2008.

## **4. Public Participation**

**At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Executive Member's remit can do so. The deadline for registering is Monday 17 March 2008, at 5.00 pm.**

## **5. Forward Plan Update (Pages 7 - 18)**

To receive an update on the Resources Directorate items which are listed on the Forward Plan.

**Executive Member to consider the advice of the Advisory Panel upon the following items of business and to make a decision on those items or to note the information as required:**

### **ITEMS FOR DECISION**

**6. Resources Directorate Plan (Pages 19 - 38)**

This report seeks approval for the final version of the Directorate Plan for Resources.

**7. National Non-Domestic Rates, Sundry Debtors, Council Tax and Overpaid Housing Benefit and Car Park Charges Accounts Submitted for Write-Off (Pages 39 - 56)**

This report asks for Executive Member approval to write-off irrecoverable accounts each one over £2,000 in value, for National Non-Domestic Rates, Sundry Debtors and Housing Benefit Overpayments. It also provides details of the value of other irrecoverable accounts under £2,000 that have been written-off under delegated authority in the current financial year.

**8. Review of the Council's Counter Fraud Policies (Pages 57 - 80)**

This report seeks approval for the adoption of a new Counter Fraud and Corruption Policy, along with a refreshed Fraud and Corruption Prosecution Policy to further strengthen and improve overall governance arrangements at the Council.

**9. Audit & Fraud Shared Service - Business Options (Pages 81 - 158)**

This report advises Members of the progress which has been made to date in developing the shared audit and fraud service initiative with North Yorkshire County Council (NYCC). It also seeks Executive Member approval to proceed with the project as originally defined and to implement an appropriate long term structure for the service.

## **ITEMS FOR INFORMATION**

### **10. Update on the Local Housing Allowance (LHA) (Pages 159 - 168)**

This report provides an update to Members on the work being done to implement the new Local Housing Allowance from April 2008 and also sets out details of the Safeguard Policy.

## **URGENT BUSINESS**

### **11. Any Other Matters which the Executive Member decides are urgent under the Local Government Act 1972.**

#### **Democracy Officer:**

Name: Tracy Johnson

Contact details:

- Telephone – (01904) 551031
- E-mail – [tracy.johnson@york.gov.uk](mailto:tracy.johnson@york.gov.uk)

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

## **About City of York Council Meetings**

### **Would you like to speak at this meeting?**

If you would, you will need to:

- register by contacting the Democracy Officer (whose name and contact details can be found on the agenda for the meeting) **no later than 5.00 pm** on the last working day before the meeting;
- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

**A leaflet on public participation is available on the Council's website or from Democratic Services by telephoning York (01904) 551088**

### **Further information about what's being discussed at this meeting**

All the reports which Members will be considering are available for viewing online on the Council's website. Alternatively, copies of individual reports or the full agenda are available from Democratic Services. Contact the Democracy Officer whose name and contact details are given on the agenda for the meeting. **Please note a small charge may be made for full copies of the agenda requested to cover administration costs.**

### **Access Arrangements**

We will make every effort to make the meeting accessible to you. The meeting will usually be held in a wheelchair accessible venue with an induction hearing loop. We can provide the agenda or reports in large print, electronically (computer disk or by email), in Braille or on audio tape. Some formats will take longer than others so please give as much notice as possible (at least 48 hours for Braille or audio tape).

If you have any further access requirements such as parking close-by or a sign language interpreter then please let us know. Contact the Democracy Officer whose name and contact details are given on the order of business for the meeting.

Every effort will also be made to make information available in another language, either by providing translated information or an interpreter providing sufficient advance notice is given. Telephone York (01904) 551550 for this service.

যদি যথেষ্ট আগে থেকে জানানো হয় তাহলে অন্য কোন ভাষাতে তথ্য জানানোর জন্য সব ধরনের চেষ্টা করা হবে, এর জন্য দরকার হলে তথ্য অনুবাদ করে দেয়া হবে অথবা একজন দোভাষী সরবরাহ করা হবে। টেলিফোন নম্বর (01904) 613161.

Yeteri kadar önceden haber verilmesi koşuluyla, bilgilerin tercümesini hazırlamak ya da bir tercüman bulmak için mümkün olan herşey yapılacaktır. Tel. (01904) 613161.

我們竭力使提供的資訊備有不同語言版本，在有充足時間提前通知的情況下會安排筆譯或口譯服務。電話(01904) 613161。

کسی بھی دوسری زبان میں معلومات کی دستیابی ترجمہ شدہ معلومات، ترجمان کی شکل میں یقینی بنانے کے لئے ہر ممکن کوشش کی جائے گی، بشرطیکہ اس کے لئے پہلے سے سنا سب اطلاع کی جائے۔ ٹیلی فون (01904) 613161

### **Holding the Executive to Account**

The majority of councillors are not appointed to the Executive (38 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Advisory Panel (EMAP)) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

### **Scrutiny Committees**

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

### **Who Gets Agenda and Reports for our Meetings?**

- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
- Relevant Council Officers get copies of relevant agenda and reports for the committees which they report to;
- Public libraries get copies of **all** public agenda/reports.

City of York Council

Committee Minutes

---

|         |   |
|---------|---|
| MEETING | EXECUTIVE MEMBER FOR CORPORATE SERVICES AND ADVISORY PANEL  |
| DATE    | 29 JANUARY 2008   |
| PRESENT | COUNCILLORS HEALEY (present and in the Chair for items 1-6: Minutes 50-56 refer), LOOKER (in the Chair for items 7-9: Minutes 57-59 refer), JAMIESON-BALL (Executive Member), PIERCE and R WATSON |

---

**50. DECLARATIONS OF INTEREST**

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda. None were declared.

**51. EXCLUSION OF PRESS AND PUBLIC**

RESOLVED: That the press and public be excluded from the meeting during consideration of the following:

Annex A to Agenda Item 9 (Procurement of a Replacement Financial Management System – Minute 58 refers) on the grounds that it contained information relating to the financial or business affairs of any particular person (including the authority holding that information). This information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

**52. MINUTES**

RESOLVED: That the minutes of the last meeting, held on 11 December 2007, be approved and signed as a correct record.

**53. PUBLIC PARTICIPATION**

It was reported that there had been no registrations to speak under the Council's Public Participation scheme.

**54. FUTURE AGENDA FOR CORPORATE SERVICES EMAP**

Members considered a report which provided an early indication of the business to be scheduled for meetings of the Executive Member for Corporate Services and Advisory Panel (EMAP) during the forthcoming year.

Items were listed under the EMAP meetings to be held from January to December 2008. Dates for the meetings from May onwards would not be confirmed until publication of the Corporate Diary for the 2008/09 Municipal Year. However, it was assumed that they would be similar to the dates scheduled for the current year.

Members were invited to suggest any further items they might wish to be brought to future meetings.

Advice of the Advisory Panel

That the Executive Member be advised to:

- (i) Note the future content of agendas for Corporate Services EMAP meetings.
- (ii) Request that items on the following subjects be brought to future meetings at an appropriate time:<sup>1</sup>
  - a) The future of the Guildhall
  - b) Funding methods for IT programmes.

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: In accordance with Members' request for updated information about the workload of future Corporate Services EMAP meetings.

Action Required

1. Include these items on the Forward Plan, following discussions with appropriate Officers. SA

**55. RESOURCES DIRECTORATE REVENUE AND CAPITAL BUDGET ESTIMATES 2008/09**

Members considered a report which presented the 2008/09 budget proposals for the Resources Directorate, including the Directorate Service Plans.

The report included:

- the revenue budget for 2007/08 (Annex 1) to show the existing budgets
- the budget adjusted and rolled forward from 2007/08 into 2008/09
- the provisional allocation of pay and price increases for the portfolio
- officer proposals for budget service pressure costs and savings options for the portfolio area (Annexes 2 and 3)
- fees and charges proposals (Annex 4)
- the existing approved capital programme (Annex 5)
- options for new capital schemes (Annex 6)
- Directorate Service Plans (Annex 7).



Members were asked for their comments or alternative suggestions on the proposals shown in Annexes 2, 3, 4 and 6. They expressed concern at the proposal to delete a post within Internal Audit / Fraud (RESH 2 in Annex 3), particularly in view of its potential effect on the future CPA score in this area.

The Labour Group Members reserved their position on the budget proposals.

#### Advice of the Advisory Panel

That the Executive Member be advised to:

- (i) Note the budget proposals for savings and growth, the areas for consultation in the revenue budget and the capital proposals, as contained in the report and annexes, and refer them to the Executive for consideration, together with Member's comments as indicated above.<sup>1</sup>
- (ii) Note the proposals within the service plans in Annex 7 for monitoring of progress.

#### Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASONS: (i) As part of the consultation for the 2008/09 budget setting process.  
(ii) As part of the service planning process across the Council.

#### Action Required

1. Refer budget proposals and Member comments to Executive. SA

## **56. RESOURCES DIRECTORATE PLAN**

Members considered a report which presented an initial draft of the first Directorate Plan for Resources. The final plan would be brought for Member approval in March 2008 following a period of consultation. The Plan was designed to cover a 3 year timescale which was appropriate given the key dates around the Hungate Offices and the [Easy@York](#) programme for which the Directorate was responsible.

Members were invited to provide comments on the draft Directorate Plan. They agreed that:

- Overall, there should be a clearer focus upon 'York specific' issues
- The Foreword should emphasise the corporate projects that Resources was leading on
- The Directorate Priorities needed to maintain the link throughout with the overall strategic plan.

Advice of the Advisory Panel

That the Executive Member be advised to note the draft Directorate Plan and endorse the incorporation of the suggested enhancements as detailed above.<sup>1</sup>

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: To inform further work by Officers to finalise the Plan for the next meeting.

Action Required

1. Incorporate suggested changes into Directorate Plan. SA

**57. PURCHASE OF GREEN IT DESKTOP HARDWARE**

Members considered a report, as requested at their last meeting, which set out the business case and rationale for the proposal to utilise some of the in-year underspend from the ITT service to purchase “green”, environmentally friendly desktop hardware to replace the Council’s oldest computer equipment. The report sought approval to use £95k of the ITT under spend for this purpose, if the proposition was approved.

Members were presented with 3 options:

**Option 1** - Purchase replacement desktop devices through the IT Development Plan bid process for 2009/10.

**Option 2** - Carry forward the 2007/08 under spend into 2008/09 and replace desk top devices as they break or become uneconomic to repair.

**Option 3** - Use 2007/08 under spend to purchase replacement desktop devices in year and start to reduce the Council’s energy consumption and CO2 emissions. This was the recommended option.

Advice of the Advisory Panel

That the Executive Member be advised to approve Option 3, to use the 2007/08 underspend to purchase replacement desktop devices in-year.<sup>1</sup>

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: In order to use the current year’s underspend to purchase replacement desktop devices in-year, thus reducing future investment requirements, and start to reduce the Council’s energy consumption and CO2 emissions.

Action Required

1. Implement the purchase of replacement desktop devices. SA

**58. PROCUREMENT OF A REPLACEMENT FINANCIAL MANAGEMENT SYSTEM**

Members considered a report which sought agreement to move forward with contract negotiations with the preferred supplier for a replacement financial management system.

The report had been brought to Members because the Project Board which evaluated the bids had recommended that the contract be awarded to Civica, whose bid had scored highest on quality but marginally lower on price than the second highest scoring bid, submitted by Agresso. The report included a 'Strengths, Weaknesses, Opportunities and Threats' (SWOT) analysis of the two bids. Full details of the evaluation scores were set out in exempt Annex A.

Members were presented with two options:

**Option A** - Award the contract to Civica UK Limited, as recommended by the Project Board;

**Option B** - Award the contract to Agresso Limited.

Advice of the Advisory Panel

That the Executive Member be advised to approve the selection of Civica UK Limited as the Council's preferred supplier for the replacement financial management system.<sup>1</sup>

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: In order to ensure full business continuity and to facilitate improvements in the way that the Council works, as set out in the Corporate Priorities.

Action Required

1. Award the contract to Civica, in accordance with procurement process.

SA

Cllr P Healey, Chair

Cllr C Jamieson-Ball, Executive Member

[The meeting started at 6.30 pm and finished at 7.50 pm].

This page is intentionally left blank

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|   | <b>TITLE OF REPORT</b>                        | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>                           | <b>FOR DECISION/ INFORMATION</b>   | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                  | <b>EBS</b> | <b>EXEC</b> | <b>COMMENTS/ GENERATED BY</b>                                 |
|---|---|--|--|---|-------------------------|------------------------------|------------|-------------|---|
| 1 | Resources Departmental Plan                   | Simon Wiles  | To re-present to Members for approval the Departmental Strategy which was presented in draft form for discussion at the Corporate EMAP Meeting in January 2008   | <b>01/03/08</b>   |                         | Corporate EMAP<br>18/03/2008 |            |             | Business Cycle  |
| 2 | Accounts Submitted for Write Off              | Public Service<br>Jenny Smithson                                     | Mid-year submission of accounts for write-off by the Executive Member and details of write-offs made by delegated authority to the Head of Finance.  | <b>01/03/08</b>   |                         | Corporate EMAP<br>18/03/2008 |            |             | Business Cycle  |
| 3 | Audit & Fraud Shared Service Business Options | Audit & Risk Management<br>Max Thomas                                | A report to advise Members of the preferred options for the long term organisational structure of the shared service between City of York Council and North Yorkshire County Council and to see approval of the preferred option | <b>01/03/08</b>   |                         | Corporate EMAP<br>18/03/2008 |            |             | Business Cycle  |
| 4 | Fraud & Corruption Response Plan              | Audit & Risk Management<br>Quarterly Monitoring Report<br>Max Thomas | This report updates the Council's existing Counter Fraud Strategy and seeks Members' approval for the revised Fraud & Corruption Response Plan   | <b>01/03/08</b>   |                         | Corporate EMAP<br>18/03/2008 |            |             | Also to go to the Audit & Governance Meeting on<br>01/04/2008 |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|   | <b>TITLE OF REPORT</b>   | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>  | <b>FOR DECISION/ INFORMATION</b>   | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                                | <b>EBS</b>        | <b>EXEC</b>        | <b>COMMENTS/ GENERATED BY</b>    |
|---|--|---|--|---|-------------------------|--|-------------------|--------------------|----------------------------------|
| 5 | Local Housing Allowance (LHA) Implications for York Residents        | Public Services<br>Stewart Halliday   | To bring to Members' Attention the implications of the recently introduced LHA Scheme  | <b>01/03/08</b>   |                         | Corporate EMAP<br>18/03/2008               |                   |                    | Report at the Request of Members |
| 6 | Annual Audit Letter  | Audit & Risk Management<br>Quarterly Monitoring Report<br>Liz Ackroyd/<br>Alastair Newell | It is a statutory requirement for External Audit to report to the Authority the findings of their Audit Work. Members are asked to note the findings and the Action Plan | <b>23/02/08</b>   | CMT<br>05/03/2008       |  | EBS<br>18/03/2008 | EXEC<br>25/03/2008 | Business Cycle                   |
| 7 | Fraud & Corruption Response Plan                                     | Audit & Risk Management<br>Quarterly Monitoring Report<br>Max Thomas                      | Members are asked to approve the updated Fraud & Corruption Response Plan  | <b>22/03/08</b>   |                         | Audit & Governance Committee<br>01/04/2008 |                   |                    | Also taken to EMAP on 18/03/2008 |
| 8 | The Annual Outturn Report of OGG (Progress against annual work Plan) | Simon Wiles/<br>Liz Ackroyd   |  | <b>22/03/08</b>   |                         | Audit & Governance Committee<br>01/04/2008 |                   |                    | Business Cycle                   |
| 9 | Risk Management Outturn Report                                       | Audit & Risk Management<br>Quarterly Monitoring Report<br>David Walker                    |  | <b>22/03/08</b>   |                         | Audit & Governance Committee<br>01/04/2008 |                   |                    | Business Cycle                   |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>  | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>                           | <b>FOR DECISION/ INFORMATION</b>  | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                                | <b>EBS</b>        | <b>EXEC</b>        | <b>COMMENTS/ GENERATED BY</b>   |
|----|---|--|---|---|-------------------------|--|-------------------|--------------------|---|
| 10 | Mid Point Follow Up Review of Implementation of IAS Audit Recommendations (July 2007- December 2007 Audits) | Audit & Risk Management Quarterly Monitoring Report<br>Richard Smith |   | <b>22/03/08</b>   |                         | Audit & Governance Committee<br>01/04/2008 |                   |                    | Business Cycle  |
| 11 | Purchase of land for Use as a Composting Area   | Property Services<br>Paul Fox  | Yorwaste have negotiated with a local landowner to purchase 30 acres of land, subject to planning approval, for use as a composting area in association with the waste disposal site at Harewood Whin. Planners have recommended approval and it will be decided at Planning Committee on 28 February.<br><br>Should the Planning Permission be Granted it would be economically advantageous for the Council to purchase the land and lease it to Yorwaste |   | QCG<br>19/03/2008       |  | EBS<br>01/04/2008 | EXEC<br>08/04/2008 | Report at the Request of Author   |
| 12 | Administrative Accommodation Review: End of Stage Update Report   | Property Services<br>Maria Wood                                      | To advise Members of completion of Stage 3 of the Admin Accom Review (Finance, Timeframes, Risk & Performance of Work Streams) and identify objectives for Stage 4  |   | CMT<br>2/04/2008        |  | EBS<br>15/04/2008 | EXEC<br>22/04/2008 | Report at the Request of the Author.<br>Deferred from 29/01/2007 Executive Meeting to allow for further development of the Hungate design |
| 13 | Risk Management Quarterly Monitoring Report   | Audit & Risk Management Quarterly Monitoring Report<br>David Walker  | To provide CMT with progress on managing the agreed key corporate risks   | <b>27/04/08</b>   | CMT<br>07/05/2008       |  |                   |                    | Business Cycle  |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>     | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>                             | <b>FOR DECISION/ INFORMATION</b>   | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>        | <b>EBS</b>        | <b>EXEC</b>        | <b>COMMENTS/ GENERATED BY</b>       |
|----|----------------------------|--|--|---|-------------------------|--------------------|-------------------|--------------------|-------------------------------------|
| 14 | Appropriation of Property  | Property Services<br>John Urwin  | To appropriate and transfer properties between the Housing Revenue Account and the General Fund to ensure good governance and provide a corporate flexibility in the use of capital resources. The appropriations need to be approved for the financial year of 2008/09. | <b>27/04/08</b>   | CMT<br>07/05/2008       |                    | EBS<br>13/05/2008 | EXEC<br>20/05/2008 | Report at the Request of the Author |
| 15 | Insurance Outturn Report   | Audit & Risk Management<br>Quarterly Monitoring Report<br>David Walker | To provide information on the progress in delivering an efficient and effective insurance service to the Council including details on the performance of the Insurance Funds   | <b>25/05/08</b>   |                         | EMAP<br>10/06/2008 |                   |                    | Business Cycle                      |
| 16 | Procurement Outturn Report | Audit & Risk Management<br>Quarterly Monitoring Report<br>David Walker | To provide information on the progress made in delivering an effective and efficient procurement service to the Council including details on performance and corporate procurement savings   | <b>25/05/08</b>   |                         | EMAP<br>10/06/2008 |                   |                    | Business Cycle                      |



**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>  | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>                          | <b>FOR DECISION/ INFORMATION</b>  | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>        | <b>EBS</b> | <b>EXEC</b> | <b>COMMENTS/ GENERATED BY</b>   |
|----|---|---|---|---|-------------------------|--------------------|------------|-------------|---|
| 17 | Information Governance Outturn Report                               | Audit & Risk Management Quarterly Monitoring Report<br>Robert Beane | To provide information in the form of statistics and performance indicators to update Members on progress and performance on Information Governance   | <b>25/05/08</b>   |                         | EMAP<br>10/06/2008 |            |             | Business Cycle  |
| 18 | Information Management Outturn Report                               | Audit & Risk Management Quarterly Monitoring Report<br>Robert Beane |   | <b>25/05/08</b>   |                         | EMAP<br>10/06/2008 |            |             | Business Cycle  |
| 19 | Progress Report on Shared Audit Service                             | Audit & Risk Management<br>Max Thomas                               | To provide Members with an update on the progress of the Shared Audit Services with North Yorkshire   | <b>25/05/08</b>   |                         | EMAP<br>10/06/2008 |            |             | At the Request of Members at the meeting of Corporate Services EMAP on 11/12/2007 |
| 20 | Resources Performance and Finance Outturn Report*                   | Business Management<br>Sian Hansom                                  |   | <b>25/05/08</b>   | RMT                     | EMAP<br>10/06/2008 |            |             | Business Cycle  |
| 21 | Treasury Management Annual Report and Prudential Indicators 2006/07 | Finance<br>Tom Wilkinson  | Provides detailed performance information on the Treasury Management function including reportage on the prudential indicators required by the national treasury management code of practice. | <b>25/05/08</b>   |                         | EMAP<br>10/06/2008 |            |             | Business Cycle  |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>   | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b> | <b>FOR DECISION/ INFORMATION</b>  | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>        | <b>EBS</b>        | <b>EXEC</b>        | <b>COMMENTS/ GENERATED BY</b>  |
|----|--|--|---|---|-------------------------|--------------------|-------------------|--------------------|--|
| 22 | Review and Strategy for the Commercial Property Portfolio - Future Investment Strategy | Property Services<br>David Baren           | The main Review and Strategy was approved by EMAP on 30th October 2007, and Executive on 20th November. These reports contained a recommendation that some properties could be sold, and the proceeds re-invested in other property that more closely followed the Council's Corporate Strategy and also gave a better balance to the Portfolio. The Executive delegated the detail of the Strategy to Corporate Services EMAP and this report sets out the necessary further detail. | <b>25/05/08</b>   |                         | EMAP<br>10/06/2008 |                   |                    | Report at the Request Members  |
| 23 | Thin Client Management Arrangements  | Simon Wiles/                               | A review of the Client & Contractor roles within the Council - this report seeks to rationalise and streamline them.  | <b>14/04/08</b>   | CMT<br>21/04/2008       |                    | EBS<br>27/05/2008 | EXEC<br>03/06/2008 | Report at the Request of the Author<br>Initial discussion held at EBS on 28 November<br>Deferred from the Executive Meeting of 19/12/2006 to allow for late additions to the report and for further consultation with other Departments.<br>Deferred again on 27/03/2007, 12/06/2007, 24/07/2007, 11/09/2007, 23/10/2007, 6/11/2007, 20/11/2007, 18/12/2007 & 26/02/2008 |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>  | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>  | <b>FOR DECISION/ INFORMATION</b>   | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                               | <b>EBS</b>        | <b>EXEC</b>        | <b>COMMENTS/ GENERATED BY</b>  |
|----|---|---|--|---|-------------------------|---|-------------------|--------------------|--|
| 24 | The Action Plan Arising from the Annual Letter of the District Auditor                                | Audit & Risk Management Quarterly Monitoring Report<br>Liz Ackroyd                      |  |   |                         | Audit & Governance Committee<br>June 2008 |                   |                    | Business Cycle   |
| 25 | The Annual Audit & Inspection Plan (Audit Commission) for 07/08 & Outturn Monitoring Report for 06/07 | Audit & Risk Management Quarterly Monitoring Report<br>Liz Ackroyd/<br>Audit Commission |  |   |                         | Audit & Governance Committee<br>June 2008 |                   |                    | Business Cycle   |
| 26 | IT Strategy 2007-2012   | IT&T<br>Roy Grant   | Members are asked to agree the strategic objectives for use of technology in the Council over the next 5 years which will drive our investment in IT | <b>30/03/08</b>   | CMT<br>23/04/2007       |   | EBS<br>10/06/2008 | EXEC<br>17/06/2008 | Requested by Report Author<br>Deferred from 23/10/07, 15/01/2008, 26/02/2008 & 24/04/2008 because of Acting Up Arrangements/Pressure of Work and to accommodate/include the outcomes of a recent external review of ITT Services into the Strategy |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>   | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b> | <b>FOR DECISION/ INFORMATION</b>  | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b> | <b>EBS</b>     | <b>EXEC</b>     | <b>COMMENTS/ GENERATED BY</b> |
|----|--|--|---|---|-------------------------|-------------|----------------|-----------------|-------------------------------|
| 27 | Revenue Outturn Report* (incorporating Treasury Management Outturn Report) | Finance Janet Lornie/Tom Wilkinson         | To report the final financial position on the council's revenue budgets for the financial year ending the 2006/07 and for the Executive to note overall performance and authorise relevant financial adjustments such as budget carry forwards and virements. |   | CMT 11/06/2008          |             | EBS 24/06/2008 | EXEC 01/07/2008 | Business Cycle                |
| 28 | Capital Outturn Report*  | Finance Tom Wilkinson                      | To report the final financial position on the council's xcapital programme for the financial year ending the 2006/07 and for the Executive to note overall performance and authorise relevant financial adjustments.  |   | CMT 11/06/2008          |             | EBS 24/06/2008 | EXEC 01/07/2008 | Business Cycle                |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>   | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>                             | <b>FOR DECISION/ INFORMATION</b>  | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                                    | <b>EBS</b>        | <b>EXEC</b>        | <b>COMMENTS/ GENERATED BY</b> |
|----|--|--|---|---|-------------------------|--|-------------------|--------------------|-------------------------------|
| 29 | The Statement of Accounts  | Finance<br>Janet Lornie/Peter Steed                                    | The statement of accounts records the overall financial position of the council at the 31st March in line with the nationally set Accounting Code of Practice. It is a requirement on the council that the draft statement of accounts are considered and agreed by council by the 30th June. |   |                         | Audit & Governance Committee<br>June 2008      | EBS<br>24/06/2008 | EXEC<br>01/07/2008 | Council<br>28/06/2007         |
| 30 | Risk Management Quarterly Monitoring Report                          | Audit & Risk Management<br>Quarterly Monitoring Report<br>David Walker | To provide CMT with progress on managing the agreed key corporate risks   | <b>24/08/08</b>   | CMT<br>03/09/2008       |  |                   |                    | Business Cycle                |
| 31 | Mid Term Monitor on Progress against the Internal Audit & Fraud Plan | Audit & Risk Management<br>Quarterly Monitoring Report<br>Max Thomas   |   |   |                         | Audit & Governance Committee<br>September 2008 |                   |                    | Business Cycle                |
| 32 | Resources First Performance & Financial Monitor*                     | Business Management<br>Sian Hansom                                     | To provide Members with an update on current in-year progress relating to identified aims and key financial & performance indicators  |   | RMT                     | Corporate EMAP<br>September 2008               |                   |                    | Business Cycle                |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>                        | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b> | <b>FOR DECISION/ INFORMATION</b>  | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                      | <b>EBS</b>          | <b>EXEC</b>          | <b>COMMENTS/ GENERATED BY</b> |
|----|---|--|---|---|-------------------------|----------------------------------|---------------------|----------------------|-------------------------------|
| 33 | Accounts Submitted for Write Off              | Public Service<br>Jenny Smithson           | Members are asked to note uncollectable debts that have been written off under delegated powers and to consider writing off sums that exceed the delegated authority.   |   |                         | Corporate EMAP<br>September 2008 |                     |                      | Business Cycle                |
| 34 | First Corporate Finance & Performance Monitor | Finance/Janet Lornie<br>PIT/Peter Lowe     | Provision of the latest forecast of the council's financial and performance position. Actions may be required to agree proposed amendments to plans, mitigation for identified issues and financial adjustments (such as allocations from contingency and virements) which are reserved to the Executive. |   | CMT<br>September 2008   |                                  | EBS<br>October 2008 | EXEC<br>October 2008 | Business Cycle                |
| 35 | First Capital Monitor                         | Finance<br>Tom Wilkinson                   | Provision of the latest forecast of the council's financial and performance position. Actions may be required to agree proposed amendments to the capital programme and financial adjustments which are reserved to the Executive.  |   | CMT<br>September 2008   |                                  | EBS<br>October 2008 | EXEC<br>October 2008 | Business Cycle                |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>                           | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b>                             | <b>FOR DECISION/ INFORMATION</b>   | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                     | <b>EBS</b> | <b>EXEC</b> | <b>COMMENTS/ GENERATED BY</b> |
|----|--|--|--|---|-------------------------|---------------------------------|------------|-------------|-------------------------------|
| 36 | Efficiency Outturn Report                        | Finance<br>Steve Morton  | To update Members on the performance of the Council towards achieving its efficiency targets.  |   |                         | Corporate EMAP<br>October 2008  |            |             | Business Cycle                |
| 37 | Risk Management Quarterly Monitoring Report      | Audit & Risk Management<br>Quarterly Monitoring Report<br>David Walker | To provide CMT with progress on managing the agreed key corporate risks  | <b>22/11/08</b>   | CMT<br>03/012/2008      |                                 |            |             | Business Cycle                |
| 38 | Second Resources Finance and Performance Monitor | Sian Hansom/<br>Penny Hepworth   | To provide Members with a further update on current in-year progress relating to identified aims and key financial & performance indicators        |   |                         | Corporate EMAP<br>December 2008 |            |             | Business Cycle                |
| 39 | Procurement Mid Term Monitoring Report           | Audit & Risk Management<br>Quarterly Monitoring Report<br>David Walker | To update Members on progress against the Procurement Strategy Action Plan and the Corporate Procurement Team Development & Work Programme 2007/08 |   |                         | Corporate EMAP<br>December 2008 |            |             | Business Cycle                |

**CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN**

|    | <b>TITLE OF REPORT</b>  | <b>RESPONSIBLE DIVISION/ REPORT AUTHOR</b> | <b>FOR DECISION/ INFORMATION</b>  | <b>FIRST DEADLINE FOR REPORTS TO DIRECTOR &amp; CHAIR OR EARLIEST DISTRIBUTION DATE</b> | <b>RMT/QCG/CMT DATE</b> | <b>EMAP</b>                     | <b>EBS</b> | <b>EXEC</b> | <b>COMMENTS/ GENERATED BY</b> |
|----|---|--|---|---|-------------------------|---------------------------------|------------|-------------|-------------------------------|
| 40 | Treasury Management Monitoring Report   | Finance<br>Tom Wilkinson                   | To update Members on the performance of the treasury management function for the 1st seven months of the year and provide a projected outturn to 31st March 2008. |   |                         | Corporate EMAP<br>December 2008 |            |             | Business Cycle                |
| 41 | Report on Progress on the Implementation of the New Financial Management System | Finance<br>Tom Wilkinson                   | To provide Members with an update on progress in implementing the new system across all departments of City of York Council                                       |   |                         | EMAP<br>December 2008           |            |             |                               |





---

*Meeting of Executive Member for Corporate Services and Advisory Panel*

**18 March 2008**

Report of the Director of Resources

***Resources Directorate Plan***

**Summary**

1. At the January meeting of Corporate Services EMAP Members considered an early draft version of the first Directorate Plan for Resources. Following a period of consultation the final Plan is re-presented here. The Plan is designed to cover a 3-year timescale.

**Background**

2. Last Autumn Council Management Team agreed in principle to the introduction of directorate planning as a formal stage of the York Management System. Whilst minimum standards would be adhered to, a degree of flexibility regarding presentation was to be allowed. The new Chief Executive has requested that every Directorate completes a Directorate Plan by March 2008.

**Consultation**

3. Suggested content of a Directorate Business Plan is:
  - Strategic Direction
  - Future Challenges & Opportunities
  - Priority Areas for Improvement and Delivery
  - Financial Information
  - Deliverables and Improvement on Equalities and Health & Safety
  - Strategic Position/Intentions for Competition and Procurement
  - Organisational Development Actions and Improvement
  - Risk Assessment
  - Monitoring and Reporting Arrangements
4. We have attempted, in this first Resources Directorate Plan, to include most of this content. This version now also includes more detail regarding milestones and targets and the key risks facing the Directorate. Late last year Resources Managers conducted an environmental scanning exercise (PEST [Political Economic Social Technological]/SWOT [Strengths Weaknesses Opportunities Threats] analyses) in order to inform the Plan. It has also been discussed by Resources Management Team on several occasions.

At the Corporate Services EMAP Meeting in January Members suggested:

- that there should be a clear focus on York Specific issues
- that the Foreword should emphasise the corporate projects that Resources is leading on
- that the Directorate Priorities needs to maintain the link throughout with the overall Strategic Plan

### **Options & Analysis**

5. Whereas the draft Plan brought to Members at the January meeting was for comment only, Members are asked to approve this final version or suggest further amendments to it.

### **Corporate Priorities**

6. This report links to the Council's Corporate Priorities and Values and contains specific links between what the Resources Directorate will be doing and the Council's Corporate Strategy.

### **Implications**

7. There are no specific Financial, HR, IT, Legal, Equalities, Crime & Disorder or Property Implications associated with this report.

### **Risk Management**

8. Risk issues for the Directorate are contained within the attached Plan.

### **Recommendations**

9. That the Advisory Panel advise the Executive Member that:

- 1) the revised Directorate Plan be approved

Reason:

to provide strategic direction for the Directorate and to act as a consolidated reference point for Service Managers

**Contact Details**

**Authors:**

*Simon Wiles  
Director of Resources  
Tel No. 01904 551100*

*Tracey Carter  
Programme Director  
Easy@York  
Tel No. 01904 553419*

**Chief Officer Responsible for the report:**

***Chief Officer's name Simon Wiles  
Title – Director of Resources***

**Report Approved**

**Date** *6 March 2008*

*Specialist Implications Officers - none*

**Wards Affected:** *List wards or tick box to indicate all*

**All**

**For further information please contact the author of the report**

**Background Papers:** Resources Directorate Service Plans

**Annex A:** Resources Directorate Plan

This page is intentionally left blank



**Resources  
Directorate Plan  
2008/09 – 2010/11**

## Foreword from the Director of Resources

It has been a year of significant change and upheaval in Resources and I am proud that staff have responded so positively to the significant level of change that has taken place. Our Performance Indicators have improved significantly in all services areas.

The staff survey results from earlier this year show that we are on the right track, with job satisfaction at the 2<sup>nd</sup> highest level in the Council. However I know that there is still a lot to do to improve and modernise our services. There are still some services within Resources where a number of performance measures indicate that performance is below average compared to our peers and we need to make changes and improvements in these areas.

I am grateful to staff for their positive attitude and I want to work with everyone in the directorate to make Resources a Directorate that we and our customers can be really proud of.

This document sets out priorities for the Resources Directorate and aims to give a sense of direction to staff for the coming years and to identify clearly the key areas in which the directorate needs to lead in terms of changes and improvements on both a Directorate and Council wide basis.

This document also shows commitment to developing the role of Resources at the heart of the whole organisation. Our services are part of the lifeblood of the Council and we are responsible for leading a range of transformational corporate Projects and Programmes, which will enable the organisation as a whole to work more effectively.

Resources has lead responsibility for The [Easy@York](#) programme, the new Hungate Offices, replacing the Financial Management system, introducing Job Evaluation and resolving Equal Pay Issues, improving the Benefits Service partly through incorporating it into the Easy programme, taking the lead on customer services across the Council and a significant range of other projects. All of this in addition to our normal important jobs in Finance, Property, IT etc. All of these projects are at the heart of the Council's transformation agenda and they will contribute significantly to business efficiency, financial savings, customer service improvements in terms of timeliness and quality and also improved customer and management information.

The way in which Resources works is instrumental in achieving this programme of change and we are committed to improving communications, developing and enabling staff, and modernising the way we work.

After over 11 years at York I will be leaving during June and I trust that the objectives set out in this plan will pursued by Resources managers and staff and by my successor once I have left.



Simon Wiles  
Director of Resources and Deputy Chief Executive

## Directorate Plan

The purpose of this *Directorate Plan* is to:

- Communicate a common direction for Resources
- Set out the directorate priorities for the medium term (1-3) years.
- Demonstrate how we will contribute to the delivery of the Corporate Strategy and Values.

Shared ownership and responsibility for these priorities will help to make things happen. The *Directorate Plan* will help us to:

- build a common identity across the directorate;
- share understanding of the common issues and goals of the directorate;
- create a climate where we can take shared ownership and responsibility for collective challenges;
- share skills, experiences and perspectives to build a more effective directorate;
- create a platform to involve everyone across the directorate;
- deliver our goals of achieving excellent services.

### Resources Directorate

Resources is one of two directorates that sit at the corporate centre of the Council. The Directorate provides corporate advice and guidance, delivers support services and delivers services direct to customers. Our staff are generally highly visible across the organisation but are less visible to external customers. They undertake a range of tasks and functions that are critical to the overall health and effectiveness of the whole organisation.

Resources employs about 360 staff, with an overall gross operating budget of £63m. The majority of services are based at St Leonard's Place, Museum Street, Swinegate and the Bootham Register office in central York.

The directorate has a wide range of internal and external customers with differing needs, including elected members, partner organisations, all other council directorate staff, and residents of, and visitors to York.

### Strategic Finance

The Head of Financial Services manages teams responsible for Corporate Accountancy, Payments, Payroll and Debtors.

### Information Technology and Telecommunications (ITT)

Provides ITT services to all Council Directorates and its elected Members, supporting them in the delivery of high quality customer focused services to the public. ITT Services cover three key functions: Business and Customer Services, Business Development, IT Infrastructure.

### Property Services

Plays a leading role in the management of all property assets, the management of office accommodation to support all services and the planning, implementation and delivery of a substantial part of the Council's capital investment programme. Property Services cover 3 key functions: Asset and Property Management, Facilities Management and Strategic Business and Design.

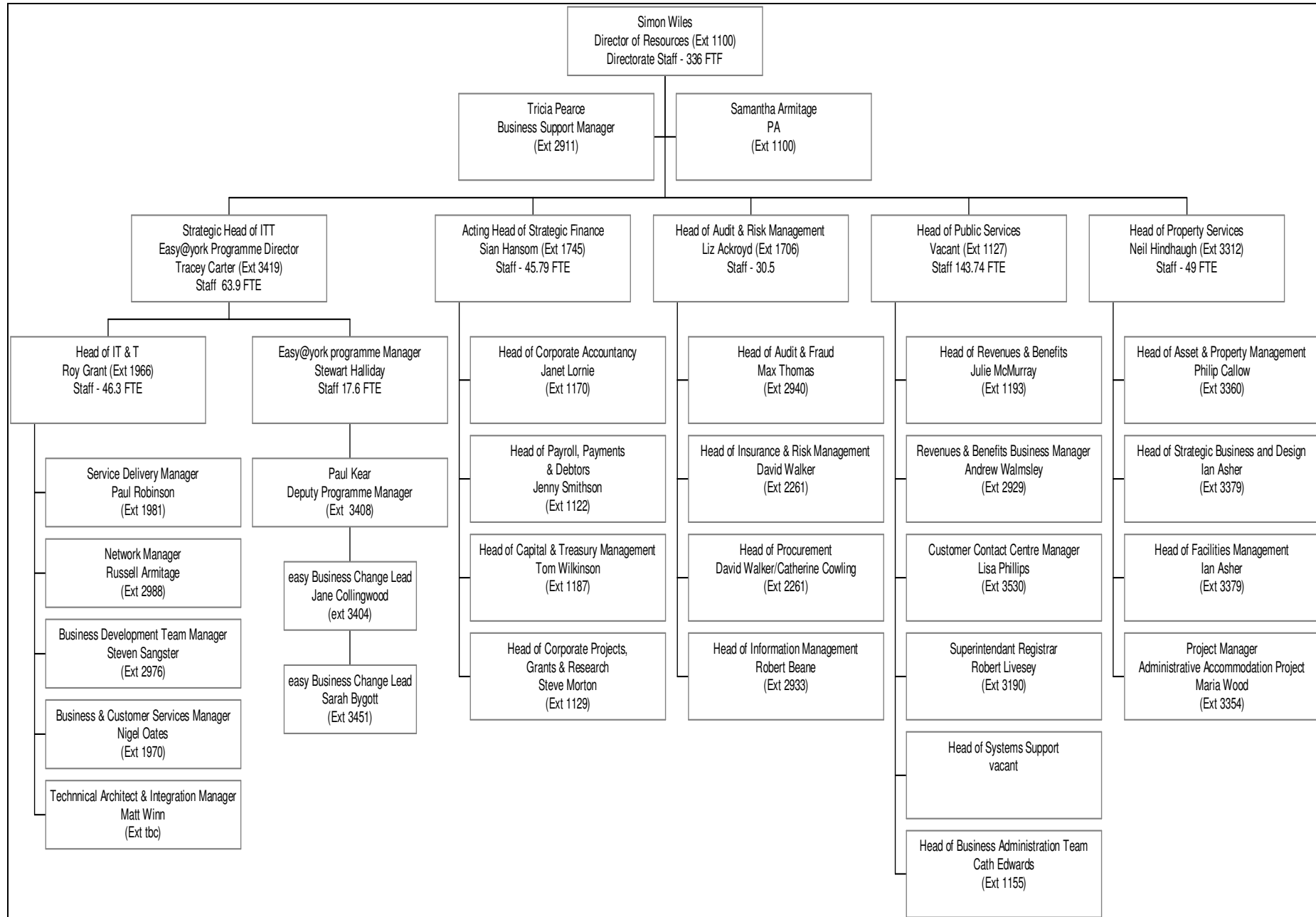
### Audit and Risk Management

Services include: Internal Audit & Fraud, currently in the process of developing a shared service initiative with North Yorkshire County Council, Insurance and Risk Management, Corporate Procurement and Information Management.

### Public Services

Covers five major functions: Benefits Service, Revenues Service, Registration Service, York Customer Centre and Business Management.

# DIRECTORATE STRUCTURE CHART



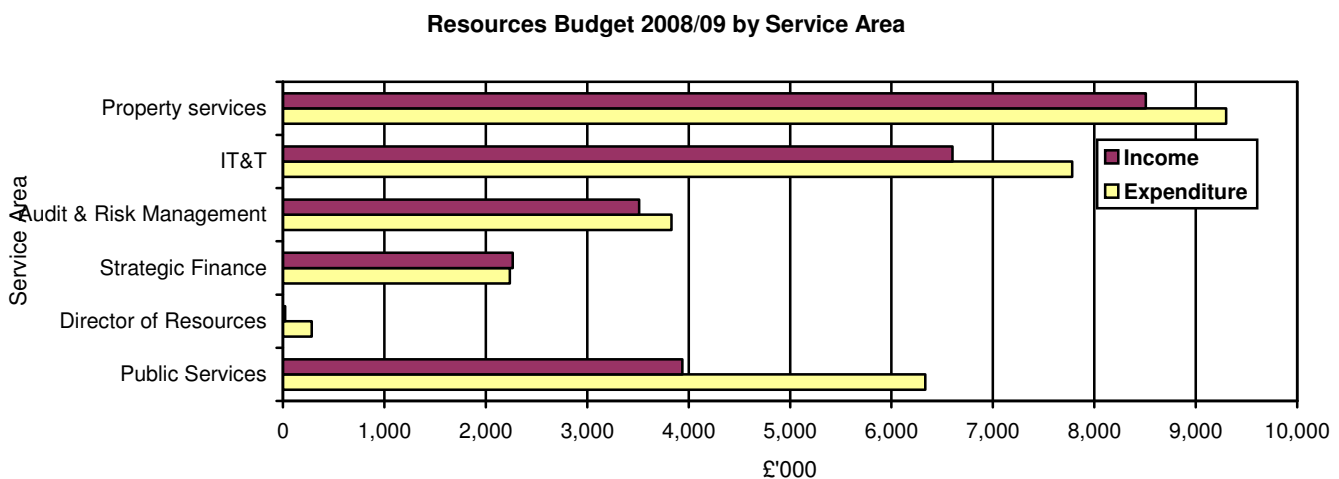


## Resources Services Budget Overview

The budget for the Directorate in 2008/09 based on draft budget proposals will total a net £4,918k. This includes growth totalling £1,507k the key items being investment in the IT development plan £462k, investment in the project team to implement a new payroll and personnel system £85k a reduction in government Housing Benefit Grant subsidy £85k and loss of dividend from the Yorkshire Purchasing Organisation £40k. There has also been an increase in budget to reflect new accounting methodology that no longer allows costs incurred in selling and maintaining assets prior to sale to be charged to capital receipts and thus £310k is now in the revenue budget. Pay awards have been allowed for at an estimated 2.5%

Savings proposals total £1,005k, which have been identified across all service areas. Directorate wide savings total £251k from repaying Venture Fund Loans in previous years, IT have identified £272k from lease drop out, savings on project delivery and reduction in support costs, Public Services have identified £356k from improved benefits performance, a review of benefit related budgets and improved Council Tax collection levels, Property Services anticipate an additional £60k from Commercial Property rents, Audit & Risk Management have identified £24k from reducing the service within Audit and Fraud team and Strategic Finance have identified £37k from improved benefits overpayment recovery and staffing restructure.

The graph below shows income and expenditure by service area, excluding Housing Benefit Subsidy payments reimbursed by Department of Work & pensions totalling £38,127k, which distort the axis of the graph too much to make it meaningful.



## Resources Budget by Category

|  | <u>£'000's</u> |
|--|----------------|
| Employees*                                 | £11,224        |
| Premises                                   | £2,710         |
| Transport                                  | £51            |
| Supplies and Services                      | £7,136         |
| Miscellaneous:                             |                |
| – Recharges                                | £4,619         |
| – Revenues & Benefits                      | £38,513        |
| Capital Financing                          | £3,639         |
| <b>Gross cost</b>                          | <b>£67,892</b> |
| <b>Less Revenues &amp; Benefits income</b> | <b>£38,127</b> |
| Less Other Income                          | £24,847        |
| <b>Net cost</b>                            | <b>£4,918</b>  |

\*Service descriptions, structure charts and budgets are contained in individual service plans and can be viewed on the CouncilNet under:  
*Council / Service Planning / 2008/09 Service Plans / Resources.*

## Corporate Planning System

This page summarises how York's Sustainable Community Strategy, which sets out a long term vision for the city, links right through to the Corporate Strategy, to Directorate Plans, to Service Plans, Work plans and to influence personal development plans for staff within Resources. These links ensure that individuals and teams work consistently towards clear objectives that build towards delivering the priorities set out in city and corporate level strategies. This establishes the 'Golden Thread' for the Directorate and for the Council as a whole.

|                    |   |  |
|--------------------|---|--|
|                    | <b>Sustainable Community Strategy</b>                         | Without Walls (York's Local Strategic Partnership) has produced a City Vision and Community Strategy, which was agreed in April 2004 and is currently being reviewed. <a href="http://www.yorkwow.org.uk">www.yorkwow.org.uk</a>   |
| Corporate Strategy | <b>Corporate Vision (Values and Direction Statements)</b>     | The Council's corporate vision includes four values and seven direction statements. Resources is leading or is instrumental in delivering: - <ul style="list-style-type: none"> <li>Deliver what our customers want</li> <li>Encourage improvement in everything we do.</li> <li>We want services to be provided by whomever can best meet the needs of our customers.</li> <li>We will seek to place environmental sustainability at the heart of everything we do</li> <li>We will be an outward looking council, working across boundaries to benefit the people of York</li> </ul> |
|                    | <b>Corporate Priorities &amp; Corporate Imperatives</b>       | The Council has 10 corporate improvement priorities – areas of council business where we have chosen to make significant improvements.<br>The Council has 7 corporate imperatives. These are highly significant ' <b>must-do</b> ' projects and programmes. Resources is leading, or is instrumental in delivering: Pay and Grading Review, FMS Implementation, York Stadium, Administrative Accommodation Review (Hungate) and the School Modernisation Strategy  |
|                    | <b>Strategic Plans<br/>Business Plans<br/>Financial Plans</b> | <b>Resources Directorate Plan</b> which: <ul style="list-style-type: none"> <li>Sets out clear direction for the directorate – service development and staff development.</li> <li>Shows how we contribute to the corporate agenda.</li> </ul> In addition, Resources has a range of strategic plans, including: ITT Strategy, Capital Strategy, Corporate Asset Management Strategy. Medium Term Financial Strategy, Corporate Procurement Strategy, Customer Access Strategy   |
|                    | <b>Service Plans / Team Workplans</b>                         | Resources has 5 service plans, supported by detailed Workplans. Taken together these set out how the directorate plan's priorities will be delivered. The service plans can be found on the intranet under:<br><i>Council / Service Planning / 2007/08 Service Plans / Resources</i>   |
|                    | <b>Personal Objectives for all Staff (Appraisals)</b>         | It is the Council's target to ensure that all staff have an annual appraisal to help set personal objectives for each member of staff, which link to work and service plans, that in turn help deliver higher level objectives.  |

## Future Challenges

Resources Directorate faces a number of challenges from a variety of sources. The key challenges facing the directorate are set out below.

| Challenges   | How might this affect Resources Directorate   |
|--|---|
| <b>External Challenges</b>   |   |
| 1) New Use of Resources and CAA regime 2009.                         | Plan, develop and coordinate the actions required in response to the more challenging Use of Resources requirement.   |
| 2) Audit Commission - new National Performance Indicator Set         | A new set of 198 national performance indicators will be introduced from April 2008 and will support the delivery of Local Area Agreements and the new Comprehensive Area Assessments.  |
| 3) Significant amendments to statutory reporting requirements        | Development work will be required to embed changes to the accounts that occurred in April 2007 and to deal with the additional major changes to the council's accounts from April 2008.   |
| 4) National efficiency programme                                     | Indicative targets for efficiency (around 3% per year) are now set within the Government funding regime. Resources lead on the Corporate Efficiency programme and are therefore key to identifying and delivering the associated savings.   |
| 5) Legislative Change  | Changes in the construction industry (management of asbestos, legionella, environmental and sustainability agenda, building regulations and health & safety issues).<br>Local Housing Allowance (LHA), Tribunal Courts & Enforcement Act (TCEA) White Paper on Supplementary Business Rates (SBR).<br>Following on from Lyons Report possible reform of Council Tax Benefit and introduction of "pay as you throw" tax. |
| 6) Service Transformation.   | Varney Review and Cabinet Office have introduced Standards for Contact Centres. Introduction of Accreditation Scheme.   |
| 7) Changing demographics of the city and increase in house building. | Increase in tax base. Need to target hard to reach groups. Monitoring of benefits take-up amongst BME groups as part of Equalities Action Plan  |
| <b>Corporate Challenges</b>  |   |
| 1) Delivering the Corporate Strategy                                 | Resources are leading on many aspects of delivery of the Corporate Strategy   |
| 2) Job Evaluation & Single Status                                    | Resources are leading the implementation activity corporately and will need to implement the agreement within the Directorate.  |
| 3) Hungate Project   | Resources are leading on the delivery of this c £40m project that will provide the council with new, improved offices that respond to the developing needs of the organisation, are better for the environment, and from which excellent services can be delivered.   |
| 4) Easy@york   | Deliver the final part of phase 1 improvements 1 in the Benefits Service. Deliver Phase 2 - additional services to be improved and e-enabled with services integrated into the York Customer Centre and eventually through a one stop shop in Hungate   |
| 5) Implementation of FMS   | Need to implement a new Financial Management System, and develop new business processes to increase effectiveness and efficiency, better use of management information will also improve the ways we procure goods, works and services  |
| 6) Organisational Effectiveness Programme (OEP)                      | Resources is the lead Directorate for Efficiency and Customer Values as part of the OEP   |

|  |   |
|--|---|
| 7) Replacement of the HR/ Payroll System                                 | An appraisal of the future needs for the HR/ Payroll system will be undertaken in 2008/9. This may lead to the implementation of a system replacement project. Should this be the case then the Directorate will be responsible for leading and project managing the project. |
| 8) Delivery of the Environmental Management System (EMS).                | The Directorate has a significant role to play in implementing aspects of the EMS, through reducing carbon emissions from occupation of our buildings but also in our involvement in the Transport review and the implementation of Flexible working                          |
| 9) Budget Pressures  | Council budget position imposes significant financial constraints and the need to identify further savings and efficiencies   |
| 10) Competition requirements   | Need to develop a competition policy/strategy as a development of the existing Procurement Strategy   |
| 11) Business Continuity Planning (BCPs)                                  | Need to develop better more robust BCPs within the Directorate  |
| 12) Health & Safety  | Introduction of governance and compliance system. Pilot system to support the organisation in delivering and understand training requirements around the health & safety agenda.  |
| 13) Implementation of the approved IT Corporate Development projects     | Following 2 years of concentration on easy@york, there is now a significant backlog of IT projects to be implemented and considerable work needed to prepare for the Hungate move   |
| 14) Equalities   | Changes in Equalities legislation mean that we need to develop improved information on customer needs and analyse key strategies and services and take action on the findings.  |
| 15) Corporate Managed Voice and Data Network Provision                   | In preparation for the move to Hungate we need to re-tender the Network management to migrate our infrastructure and refresh the technology in the new building and maximise the benefits from our network  |
| 16) Organisational Change Agenda   | Need to develop the links between all the Council's major projects, especially Hungate, Easy@york, OEP, Information Management, flexible working, DMS, the HR strategy and other IT projects.   |
| 17) Capital Programme  | Next year the Council will have to deliver its largest ever capital programme estimated at £73m   |
| <b>Directorate Challenges</b>  |   |
| 1) Performance Management  | Ensure an integrated finance and performance management framework is in place across all services and develop robust performance management across the directorate.   |
| 2) Financial savings required to meet directorate and corporate targets. | Need to implement over £1m of savings for 2008/9 and deliver further efficiencies for the 2009/10 budget round.   |
| 3) Interim Management arrangements                                       | Following departure of two Assistant Directors and the forthcoming departure of another AD and the Director, the Directorate will be implementing interim management arrangements and reviewing the long-term structure of the Directorate.                                   |
| 4) Resources Staff Survey  | Continue to deliver the Directorate Response Plan to ensure that we respond to results of staff survey  |
| 5) Directorate training and development programme                        | Lead and develop a workable cross directorate training programme for Resources.   |
| 6) Shared Service initiative for audit & fraud services                  | Deliver efficiencies, and develop and enhance service delivery, resilience and capacity through collaboration with NYCC.  |
| 7) Increase attendance at work   | All necessary actions to be implemented to ensure attendance at work is maximised as sickness levels are still too high.  |

## Directorate Major Risks

Directorate level risks have been identified and are held on the council's 'Magique' risk management system.

The key risks facing the Directorate are:-

- The transformational change Programme
- Project and Programme Management
- Pay and Grading
- [Easy@York](#) Phase 2
- The Admin Accom Project

In addition, the Directorate is undergoing a period of transition owing to senior manager changes and the imminent re-structure of the centre of the Council.

## Directorate Priorities

The proposed directorate priorities have come out of a planning process that considered the key drivers for change, a range of information around performance, risk, customer satisfaction, staff research, and the political prospectus. They are colour coded to show which priorities affect people, systems and processes (including strategic planning), finance and customers. This is in line with the balance scorecard approach to business planning, managing and reporting.

The link is shown wherever appropriate to the Corporate Strategy either to a Priority, a Direction Statement, a Value with in the Organisational Effectiveness Programme (OEP) - People, Leadership, Improvement/Efficiency or Customers - or a Corporate Imperative. Some priorities are CPA requirements.



## Directorate Priorities

|   | Resources Priority | Description   | Links                         | Lead Responsibility | Outcomes (Key milestone or measure of performance)       |
|---|--------------------|---|-------------------------------|---------------------|--|
| 1 | People 1           | Implement Job Evaluation/ Pay & Grading for Council & for Resources   | Corporate Strategy Imperative | D of R              | By July 2008   |
| 2 | People 2           | Improve Performance Management  | OEP – Leadership              | RMT                 | Scorecard-based reporting from April 08                  |
| 3 | People 3           | Develop & Implement a Departmental Communications Plan  | OEP - People                  | D or R              | August 2008  |
| 4 | People 4           | Restructure top management team in light of recent changes and closer working with Chief Exec's Department (including changes within Benefits and Property) | Priority                      | D of R              | June 2008  |
| 5 | People 5           | Improve Absence Management  | OEP – People                  | RMT                 | Reduce target by one day and achieve for year of 2008/09 |

|    |                      |  |                                    |                           |                |
|----|----------------------|--|------------------------------------|---------------------------|----------------|
| 6  | Systems/ Processes 1 | Deliver the Hungate Project & ensure that it reduces our carbon footprint                      | OEP – Environmental Sustainability | Head of Property Services | September 2010 |
| 7  | Systems/ Processes 2 | FMS Implementation   | Corporate Strategy – Imperative    | Head of Finance           | November 2008  |
| 8  | Systems/ Processes 3 | Determine way forward for new HR/Payroll system and begin implementation                       | OEP                                | Head of Finance           | March 2009     |
| 9  | Systems/ Processes 4 | Identify & implement a Resources wide business review & change programme prior to Hungate move | Corporate Strategy – Imperative    | RMT                       | December 2009  |
| 10 | Systems/ Processes 5 | Develop a new IT Strategy for 2008-2012  | OEP – Efficiency                   | Head of Strategic IT      | July 2008      |

|    |  |  |                               |  |   |
|----|--|--|-------------------------------|--|---|
| 11 | Systems/<br>Processes 6                    | Develop Plans for an Organisational Change Programme   | OEP – Leadership              | <a href="#">Easy@york</a><br>Programme<br>Director | July 2008   |
| 12 | Systems/<br>Processes 7                    | Develop a Competition Strategy   | Direction of Travel (DoT)     | Head of Audit &<br>Risk Management                 | June 2008   |
| 13 | Systems/<br>Processes 8<br>(Environmental) | Improve the environmental sustainability relating to the Council's occupation of buildings   | Priority                      | Head of Property<br>Services/<br>Head of ITT       | Green IT - April 2008<br>Water & Energy Mgt -<br>September 2008<br>New Office – September<br>2010 |
| 14 | Finance<br>& Assets 1                      | Deliver the Corporate Efficiency Programme   | OEP (Efficiency)              | D of R   | March 2010  |
| 15 | Finance<br>& Assets 2                      | Deliver the Asset Management Plan  | CPA                           | Head of Property<br>Services                       | March 2009  |
| 16 | Finance<br>& Assets 3                      | Identify agreed and funded York Stadium Project  | Corporate Strategy Imperative | D of R/Head of<br>Property Services                | April 2008  |
| 17 | Governance 1                               | Embed Risk Management across the Organisation  | CPA                           | Head of Audit &<br>Risk Management                 | April 2008  |
| 18 | Governance 2                               | Identify and implement a Programme of Improvements to comply with CAA and CPA Use of Resources (UoR)                                   | CPA                           | Head of Audit &<br>Risk Management                 | June 2008   |
| 19 | Customer 1                                 | Implement <a href="#">easy@york</a> phase 1 & 2 within Resources and across the whole organisation.                                    | OEP – Customers & Efficiency  | Easy Project<br>Director                           | September 2010  |
| 20 | Customer 2                                 | Develop & Implement new customer standards and services through better understanding of customers and more efficient service provision | OEP – Customers               | Easy Project<br>Director                           | March 2009  |



## Organisational Development Priorities

A number of organisational development priorities have been identified. These issues impact on every service area in the directorate. These issues require commitment from everyone to ensure that they are achieved and become embedded in day-to-day work. The key actions and measures identified here will be cascaded appropriately into all of the directorate's service plans.

### Staffing / Leadership:

| Improve approach to absence management  |         | Milestones                      |
|---|---------|---------------------------------|
| <b>KEY ACTIONS:</b> <ul style="list-style-type: none"> <li>Continue to improve how we measure sickness absence information to help manage absence.</li> <li>Implement the new Sickness Absence Management Policy</li> <li>Reduce number of days lost to sickness by one day for the forthcoming financial year</li> </ul> |         | April 08 onwards<br><br>Ongoing |
|   | 2007/8  | 2008/9 target                   |
| <ul style="list-style-type: none"> <li>Key Measure(s)<br/>Number of working days/shifts lost to all sickness (per fte).<br/>Number of days lost to short-term illness (per fte).</li> </ul>   | 10<br>5 | 9<br>5                          |

### Staffing / Leadership:

| Continue to achieve target of 95% for the number of Appraisals that are carried out in Resources  |  | Milestones   |
|---|--|--|
| <b>KEY ACTIONS:-</b> <ul style="list-style-type: none"> <li>Support managers to use the new paperwork produced following on from the Leadership &amp; Management Standards (LAMS) – Managers Workshop Session</li> <li>Regularly report to RMT the volume of appraisals undertaken throughout the year</li> <li>Report % appraisals completed to Members at the 3 Monitors each year</li> </ul> |  | April 08 onwards<br><br>September, December & May/June |

### Staffing / Leadership:

| Maintain staff turnover at a healthy level of 10% (+ or – 2%)   |  | Milestones       |
|---|--|------------------|
| <b>KEY ACTIONS:-</b> <ul style="list-style-type: none"> <li>Conduct exit interviews when staff leave</li> <li>Make adjustments if appropriate to do so as a result of outcome of exit interviews</li> </ul> |  | April 08 onwards |

### Staffing / Leadership:

| Staff Satisfaction   |        | Milestones       |
|--|--------|------------------|
| <b>KEY ACTIONS:-</b> <ul style="list-style-type: none"> <li>Handle implementation of Job Evaluation sensitively and competently</li> </ul>   |        | April 08 onwards |
|  | 2007/8 | 2008/9 Target    |
| It is expected that Job Evaluation will have a negative impact on staff satisfaction in the shorter term. Our aim is to manage the process and eventually achieve a higher level of satisfaction than was indicated in the last staff survey | 66%    | 50% - 72%        |

**Staffing / Leadership:**

| Equalities  | Milestones       |
|---|------------------|
| <p>KEY ACTIONS:-</p> <ul style="list-style-type: none"> <li>• Strive to better replicate the ethnic and gender mix in the York population</li> <li>• Ensure recruitment processes are not disadvantaging those who don't have English as a first language</li> <li>• Positively encourage women to apply for more senior positions</li> <li>• Continue to improve access to Council buildings for both staff and customers</li> </ul> | April 08 onwards |

**Staffing / Leadership:**

| Health & Safety   | Milestones       |
|---|------------------|
| <p>KEY ACTIONS:-</p> <ul style="list-style-type: none"> <li>• Maintain or reduce the low number of reported incidents in Resources</li> <li>• Ensure all staff potentially facing challenging or aggressive behaviour are appropriately trained to deal with it</li> <li>• Continue to prioritise health &amp; safety in the selection &amp; management of contractors</li> </ul> | April 08 onwards |

**Customer First Service**

| Telephone Answering   | Milestones |
|---|------------|
| <p>KEY ACTIONS:</p> <ul style="list-style-type: none"> <li>• Maintain the standard set at Monitor 2 2007/08 when all divisions in Resources exceeded the corporate target of 95% of calls answered in less than 20 seconds</li> <li>• Continue to improve telephone answering performance in York Customer Centre (YCC) to &gt;90% by addressing issues in both systems and staff performance and by better handling of peaks in Council Tax calls</li> </ul> |            |

**Customer First Service**

| Complaints<br>Letter Answering<br>Customers seeing a second member of staff  | Milestones |
|--|------------|
| <p>KEY ACTIONS:</p> <ul style="list-style-type: none"> <li>• To continue the 100% record of stage 2 and 3 complaints dealt with within 10 days</li> <li>• To continue to respond to more than the target of 95% of letters received within 10 working days</li> <li>• To continue to meet and exceed the 95% target for customers seeing a second member of staff where necessary within 10 minutes</li> </ul> |            |

**Risk Management**

| Monitoring of key risks in Resources   | Milestones |
|--|------------|
| <p>KEY ACTIONS:</p> <ul style="list-style-type: none"> <li>• All service areas to regularly review and update the status of their risks using the Magique system</li> <li>• Business continuity plans will be based on identified risks</li> </ul> |            |

## Monitoring and Reporting Arrangements

Progress against the directorate's priority actions and measures contained in this plan, will be monitored at the Resources Management Team (RMT) and brought forward to EMAP meetings through the monitoring process.

Directorate priorities (and their related actions and measures) identified in this plan will be cascaded appropriately into the directorate's five service plans. The aim is to ensure that organisational development actions and measures agreed at DMT (e.g. around H&S, or staff development) will be input consistently but appropriately into service plans.

This should lead to a consistent suite of 'non-service' performance indicators covering staffing, H&S, customer and finance issues in the directorate.

Actions and measures in service plans will be measured and managed monthly through Heads of Service meetings. Heads of Service will be supported to make their own arrangements for these meetings. In addition to the actions and measures in this plan, the service plans will contain a range of other actions and measures that are not related to the directorate's priorities. These systems will ensure that we manage performance at the most appropriate level.

This page is intentionally left blank



## Meeting of the Executive Member for Corporate Services and Advisory Panel

18<sup>th</sup> March 2008

### Report of the Director of Resources

## National Non-Domestic Rates/Sundry Debtors/Council Tax And Overpaid Housing Benefit and Car Park Charges Accounts Submitted For Write-Off

### Summary

1. This report asks for Member approval to write-off irrecoverable accounts each one over £2,000 in value, for National Non-Domestic Rates (Annex A), Sundry Debtors (Annex B), and Housing Benefit Overpayments (Annex C) as per the attached Schedules.
2. The report provides details of the value of other irrecoverable accounts under £2,000 that have been written off under delegated authority in the current financial year. These accounts are for NNDR, Sundry Debts, Council Tax, Housing Benefit Overpayments and irrecoverable Car Park charges.
3. This is the second submission of write-offs for 2007/08 by the Head of Finance, in line with arrangements to report on a regular basis, in order to keep accounts more up to date. The Executive Member for Corporate Services approved the last report on 11<sup>th</sup> September 2007.
4. Cases where the debt is under £2,000 have been written off under the delegated authority given to the Head of Finance, debts identified as irrecoverable this year are as follows (amounts rounded). The 'year to date' figures refer to amounts written off under delegated authority since April 2007.

| Fund                        | Year to Date<br>£ | This submission<br>(Cases under<br>£2000) | This submission<br>(Cases over £2000) | Total in<br>07/08<br>£ | Value of Bills<br>Raised in<br>2007/08<br>£ |
|-----------------------------|-------------------|---|---------------------------------------|------------------------|---|
| National Non-Domestic Rates | 151,206           | 80,055                                    | 595,574                               | 826,835                | 78.5m                                       |

|                          |                |                |                |                  |               |
|--------------------------|----------------|----------------|----------------|------------------|---------------|
| Sundry Debtors           | 40,606         | 119,281        | 22,281         | 182,168          | 47.6m         |
| Council Tax              | 209,137        | 249,340        | Nil            | 458,477          | 73.7m         |
| Overpaid Housing Benefit | 68,888         | 13,278         | 10,994         | 93,160           | 0.93m         |
| Car-Park Charges         | Nil            | 41,385         | Nil            | 41,385           | 0.47m         |
| <b>Overall Total</b>     | <b>469,837</b> | <b>503,339</b> | <b>628,849</b> | <b>1,602,025</b> | <b>201.2m</b> |

## Background

- 5 Since April 1990 the rates levied on all non-domestic properties have been set nationally and all monies collected are paid into the National Pool.
- 6 The net amount billed in 2007/08 for National Non Domestic Rates (NNDR) is £78.485 million. The forecast balance outstanding at the end of March 2008 is £1.1 million which would result in a collection rate for the year of 98.6%. This is an improvement on the outcome for 2006/07 (98.2%) and is just below the target for the year of 98.9%.
- 7 The amounts written-off for NNDR are offset against contributions to the Pool and, as such, all sums written off are met by Central Government rather than by local Council Tax payers.
- 8 Sundry Debtor charges are raised for goods and services that have been provided by the individual departments within the Authority. These charges include such services as commercial waste collection, shop rents, works carried out by Neighbourhood Services, housing repairs, homecare and warden call.
- 9 Unlike other income the total to be raised by sundry debtors will vary from year to year and is not dependent on annual sums due in the same way that NNDR and council tax are. The estimated value of accounts to be raised in 2007/08 is £52.5 million. The projected amount outstanding for accounts raised in 2007/08 is £2.45 million which would result in a collection rate for the year of 95.3%.
- 10 The net amount billed in 2007/08 for council tax is £73.776 million. The forecast balance outstanding at the end of March is £2.1 million which would result in a collection rate for the year of 97.2%. This is an improvement on the outcome for 2006/07 (96.8%) and is in line with the target for the year.
- 11 Housing Benefit overpayments occur when a customer receives more benefit than they are legally entitled to. The main reason why these occur is usually due to a failure by customers to report changes in their circumstances (whether fraudulent or otherwise). When it is not possible

to recover the overpayment by reducing future payments of benefit, the customer is sent an invoice for payment.

- 12 The total amount of housing benefit overpayments created in 2007/08 is estimated to be £1.1 million by the end of March 2008 and the amount estimated to be recovered in the year is £0.8 million. This will result in a recovery rate of 72% which is in line with the target for the year.
- 13 Car Park charges are issued for car parking infringements. This has not been reported in the past as no write off's have been made to date. The total car park penalty charges raised to date is £467,747
- 14 During the process of collection of all debts, it is apparent to Managers within Financial Services that, for a number of reasons, particular debts will not be honoured by the debtor concerned. These debts become irrecoverable and must be considered for write-off to allow prudent management of the debt portfolio.
- 15 Members have given delegated authority to the Head of Finance to write-off debts up to a maximum value of £2,000 per debt. The purpose of this report is to advise Members of the amount written off by the Head of Finance under delegated authority and to propose the write-off of a number of other debts in excess of this delegated limit.

#### **NATIONAL NON-DOMESTIC RATES**

- 16 There are several accounts for forty seven individual businesses totalling £595,574.36 (para. 4) the individual accounts are listed in Annex A, which are put forward for write off under the following categories:

#### **Customer Bankrupt – No Dividend likely**

- 17 It is proposed that the Executive Member approve write-off of these Non-Domestic accounts as all the seventeen businesses listed are bankrupt or in liquidation and no dividend is likely. The total amount written off under this category is £205,469.30 (The Executive Member should note that all monies written off under this category have had claims registered with the appropriate bodies. If a dividend is forthcoming in future financial years, then that value will be credited back to the Government's accounts and reduce the overall amount of the debts that have been written off.)

#### **Customer Gone- Reasonable Attempts to Trace Failed**

- 18 The total debts for businesses where there is no trace of the owner totals £390,105.06. Every attempt has been made to trace the owner but we have been unable to locate the person responsible for the business rates.

## **SUNDRY DEBTS**

- 19 To date (1<sup>st</sup> March 2008) £47.6m of accounts have been sent out. It is proposed to write-off the £22,280.95 in respect of 4 debtors of which the individual accounts are listed in Annex B. The debts fall into the following categories.

### **Debtor Gone- Reasonable Attempts to Trace Failed**

- 20 One debtor owes a total of £13,176.35 under this category.

### **Uneconomical to Pursue Further – unable to establish means after reasonable attempts**

- 21 The remaining 3 debtors owe a total of £9,102.60. County Court Judgements were obtained, after which, the bailiffs failed to obtain payment from the debtor.

## **HOUSING BENEFITS**

- 22 It is proposed to write off £10,994.18 in respect of housing benefit overpayments listed in Annex C. The Benefits Agency has given approval for any debt, not already being recovered, over 7 years old to be written off.

### **Judgement Awarded – Enforcement Failed to Obtain Payment**

- 23 The overpayment of £2,190.40 in this category is for one housing benefit claimant. This debt has been to civil court and the Council's debt collector has visited the property. There has been no response or payments.

### **Uneconomical to Pursue Further – unable to establish means after reasonable attempts**

- 24 One claimant owes £2,982.44 under this category for write-off. There has been no response from letters and tracing agencies. We have been unable to trace the claimants whereabouts and we can not be sure that they received any notification or letters advising of the overpayment.

### **Debtor Deceased**

- 25 The overpayment in this category is for one claimant for a total overpayment of £5,821.34. The debtor has no assets.



## Consultation

26 Not relevant to this report.

## Options

27 To approve for write-off the amount of £186,253 shown in para. 4 (the individual debts are listed in the attached annexes.

28 Not to approve the total write-off figure as shown in para. 4.

## Analysis

29 The very nature of debt recovery inherently involves the identification of debts that will not be paid and a recognition that such debts become irrecoverable and must be written off. As illustrated above there are a number of reasons why debts become irrecoverable and are written off.

30 Financial regulations and prudent financial management dictate that provision for bad debts is made in the Council's accounts. The following provision has been made in the Council's accounts in 2007/08 (rounded to the nearest '000):

|                |       |
|----------------|-------|
|                | £k    |
| NNDR           | 1,440 |
| Sundry Debtors | 448   |
| Council Tax    | 2,957 |
| Poll Tax       | 2     |
| Overpaid HB    | 1,798 |

31

In the context of the total charges raised by the Council, write offs to date represent:

| Year                                      | Total Charges Raised<br>£ | Total Value Written off<br>£ | Percentage written off<br>£ |
|---|---------------------------|------------------------------|-----------------------------|
| <b><u>National Non-Domestic Rates</u></b> |                           |                              |                             |
| 2007/08                                   | 78,485,072                | 42,464                       | 0.05%                       |
| 2006/07                                   | 78,725,557                | 77,344                       | 0.10%                       |
| 2005/06                                   | 69,540,029                | 143,765                      | 0.21%                       |
| 2004/05                                   | 68,200,000                | 385,566                      | 0.57%                       |
| 2003/04                                   | 67,624,223                | 542,464                      | 0.80%                       |
| 2002/03                                   | 62,559,370                | 393,999                      | 0.63%                       |
| <b><u>Sundry Debtors</u></b>              |                           |                              |                             |
| 2007/08                                   | 47,608,847                | 18,790                       | 0.04%                       |

|  |            |         |        |
|--|------------|---------|--------|
| 2006/07                                      | 52,876,432 | 49,567  | 0.09%  |
| 2005/06                                      | 52,330,126 | 86,301  | 0.23%  |
| 2004/05                                      | 36,986,021 | 301,377 | 0.72%  |
| 2003/04                                      | 41,656,971 | 53,496  | 0.15%  |
| 2002/03                                      | 34,543,460 | 110,532 | 0.42%  |
| <b><u>Council Tax</u></b>                    |            |         |        |
| 2007/08                                      | 73,886,114 | 26,359  | 0.04%  |
| 2006/07                                      | 70,388,994 | 137,593 | 0.21%  |
| 2005/06                                      | 66,564,805 | 170,314 | 0.27%  |
| 2004/05                                      | 62,900,000 | 153,393 | 0.27%  |
| 2003/04                                      | 57,100,000 | 492,284 | 0.99%  |
| 2002/03                                      | 49,800,000 | 483,277 | 0.97%  |
| <b><u>Overpayment Of Housing Benefit</u></b> |            |         |        |
| To Aug 07                                    | 312,207    | 8,405   | 0.90%  |
| 2006/07                                      | 841,495    | 26,709  | 1.62%  |
| 2005/06                                      | 1,653,350  | 58,112  | 8.00%  |
| 2004/05                                      | 725,982    | 89,913  | 13.52% |
| 2003/04                                      | 665,271    | 83,724  | 16.22% |
| 2002/03                                      | 516,204    | 127,639 | 20.98% |
| <b><u>Car Parking Penalties</u></b>          |            |         |        |
| 2007/08                                      | 467,747    | 41,385  | 8.85%  |

## Corporate Priorities

- 32 The Corporate Priority relevant to this report is to 'Improve efficiency and reduce waste to free-up more resources' It would be counter productive to use Officer's time to try and recover debts that we are aware are irrecoverable. It is more efficient to utilise Officer resources in pursuing debts that are recoverable.

## Implications

### Financial

- 33 The values for write off this financial year fall well within the bad debt provision (para. 30).
- 34 There are no HR, Equality, Legal, Crime and Disorder, Information Technology or Property implications.

## Risk Management

35 Not relevant to this report.

## Recommendations

36 That the Advisory Panel advise the Executive Member:

37 To approve for write-off the amount of £628,849 shown in para. 4, (the individual debts are listed in the attached annexes), taking note that each debt has a greater value than £2,000.

Reason: To allow prudent management of the Authorities debt portfolio.

38 To note the amount of £503,639 (shown in para. 4) of accounts valued at less than £2,000 written off in the 2007/08 financial year under the Head of Finance's delegated authority.

Reason: To inform the Executive Member.

## Contact Details

### Author:

Jenny Smithson  
Payroll & Payments Manager  
Resources  
01904 551122

### Chief Officer Responsible for the report:

Sian Hansom  
Head of Finance  
Resources  
01904 551505

Report  
Approved



Date 1<sup>st</sup> March 2008

**Specialist Implications Officer(s)** Head of Finance

**Wards Affected:**

All



For further information please contact the author of the report

## Background Papers

Files can be found at the Local Taxation Section and Customer Accounts Section City Finance Centre Library Square.

## CONFIDENTIAL Annexes:

Annex A – NNDR Write Offs Over £2,000  
Annex B – Sundry Debt Write Offs Over £2,000  
Annex C – HB Overpayments Over £2,000

This page is intentionally left blank

**Document is Restricted**

This page is intentionally left blank

**Document is Restricted**

This page is intentionally left blank



**Document is Restricted**

This page is intentionally left blank



---

**Executive Member for Corporate Services  
and Advisory Panel**

18 March 2008

Report of the Assistant Director of Resources (Audit and Risk Management)

***Review of the Council's Counter Fraud Policies*****Summary**

1. This report seeks approval for the adoption of a new Counter Fraud and Corruption Policy (Annex 1), along with a re-freshed Fraud and Corruption Prosecution Policy (Annex 2) to further strengthen and improve overall governance arrangements at the Council.

**Background**

2. The Council's framework for countering fraud and corruption variously comprises financial regulations; the Fraud and Corruption Response Plan; the Fraud and Corruption Prosecution Policy; the Constitution; the Whistleblowing Policy; and the Anti Money Laundering Guidance. The financial regulations (Part C) set out the Council's overarching view and approach to dealing with fraud and corruption, and the particular responsibilities of named officers, staff and members in respect of such matters. The Council has also been recognised latterly as a *'site of notable practice'* for the excellence of its counter fraud and awareness work further to the 2007 Comprehensive Performance Assessment (CPA) Use of Resources Assessment. Whilst our working practices are therefore regarded as exemplary, it is thought appropriate for the Council to adopt an overarching Counter Fraud & Corruption Policy to document our approach and demonstrate its consistency with best practice requirements. In doing so, it was also necessary to review and re-fresh the Council's existing Fraud & Corruption Prosecution Policy for consideration by Members at the same time.

**Counter Fraud and Corruption Policy**

3. The draft policy is included at Annex 1 and has been prepared in accordance with the good practice principles set out in the CIPFA<sup>1</sup> Better Governance Forum publication *"Managing the Risk of Fraud – Actions to Counter Fraud and Corruption"*. The draft is intended as a high level statement of overall policy and approach, (rather than detailed guidance) that will underpin the existing policy framework and provide a focus for the further development of the

---

<sup>1</sup> The Chartered Institute of Public Finance and Accountancy

systems needed for countering fraud and corruption in accordance with best practice requirements. It sets out:

- the general principles and approach taken by this Council in respect of fraud or corruption at the authority;
- the specific responsibilities of named Members, officers, committees and officer working groups for preventing, detecting, and investigating fraud and corruption as well as the general responsibilities of all Members and staff in countering and referring potential fraud and corruption in the work place.
- the Council's overall management arrangements for countering fraud and corruption, minimising the risks, publicising the action taken as a means of deterrence and recovering monies lost or costs incurred as a result of any fraud being perpetrated against the authority.

### **Fraud and Corruption Prosecution Policy**

4. It is vital to keep the policies of any organisation under regular review as a matter of basic good management practice. The Fraud & Corruption Prosecution Policy was last reviewed by Members in September 2006. This has now been subject to a re-refresh exercise by officers to update and amend the policy further to the preparation of the Counter Fraud & Corruption Policy, discussed above. That review has identified a number of necessary, albeit minor amendments for Members consideration as follows:
  - (i) the addition of the Deputy Audit and Fraud Manager to the list of officers who are able to make decisions about prosecutions and sanctions and amendment of the responsibilities for administering cautions and administrative penalties, to reflect the minor management re-structure in the Audit & Fraud team at CYC, (needed to support the successful implementation of phase I of the shared service initiative with North Yorkshire County Council in October 2007);
  - (ii) an amendment to the financial guidelines for making decisions about prosecutions and sanctions in relation to Housing and Council Tax Benefit fraud, to ensure the Council's response is proportionate. In cases where there is a small overpayment (less than £100) then the Council will not automatically consider prosecution or a formal sanction, unless there are exceptional circumstances that would make such action necessary or appropriate for any reason.

### **Consultation**

5. Not relevant for the purpose of the report.

### **Options**

6. Not relevant for the purpose of the report.

## Analysis

7. Not relevant for the purpose of the report.

## Corporate Priorities

8. Effective measures to counter the risk of fraud and corruption will contribute to the effective function of governance arrangements at the Council, helping to minimise losses and risks to the organisation and thereby contributing to the achievement of overall Council priorities.

## Implications

9. The implications are
  - **Financial** *There are no financial implications to this report*
  - **Human Resources (HR)** *There are no HR implications to this report.*
  - **Equalities** An equalities impact assessment has been carried out as part of the development of the Counter Fraud and Corruption Policy and the review and re-fresh of the Fraud and Corruption Prosecution Policy. This has identified some minor amendments, which have been fully incorporated into the policies presented here for Members consideration.
  - **Legal** *There are no legal implications to this report.*
  - **Crime and Disorder** *There are no crime and disorder implications to this report.*
  - **Information Technology (IT)** *There are no IT implications to this report.*
  - **Property** *There are no property implications to this report.*

## Risk Management

10. If the Council fails to put in place proper policies regarding fraud and corruption, it will be unable to demonstrate adherence to proper practices in relation to the prevention and detection of fraud and its actions or decisions could be challenged. The Council also faces financial and reputational risk and/or other loss and damage if it fails to make adequate counter fraud & corruption arrangements across the organisation. Equally, not to do so, would risk future CPA Use of Resources ratings in relation to those criteria specifically related to counter fraud activity and fraud investigation & prosecution work.

## Recommendations

11. It is recommended that the Advisory Panel advise the Executive Member to:

- 1) approve the adoption of the Counter Fraud and Corruption Policy as set out in Annex 1 to this report.

*Reason: To ensure the Council has robust arrangements in place to counter fraud and corruption.*

- 2) approve the adoption of the re-freshed Fraud and Corruption Prosecution Policy as set out in at Annex 2 To this report

*Reason: To enable appropriate action to be taken in response to acts of fraud and corruption committed against the Council.*

### Contact Details

**Author:**

Richard Smith  
Deputy Audit & Fraud Manager  
Audit and Fraud  
01904 552936.

**Chief Officer Responsible for the report:**

Liz Ackroyd  
Assistant Director of Resources (Audit and  
Risk Management)

Report Approved

Date 4 March 2008

**Specialist Implications Officer(s)**

None

Wards Affected:

All

For further information please contact the author of the report

**Background Papers:**

“Managing the Risk of Fraud – Actions to Counter Fraud and Corruption” – CIPFA  
Better Governance Forum  
Council Financial Regulations

**Annexes**

Annex 1 – Counter Fraud and Corruption Policy  
Annex 2 – Fraud and Corruption Prosecution Policy

**CITY OF YORK COUNCIL**  
**COUNTER FRAUD AND CORRUPTION POLICY**

## 1 Introduction

- 1.1 All organisations are at increasing risk of fraud and corruption. It is estimated that total fraud in the UK amounts to approximately £20 billion per annum, of which £6.8 billion relates to the public sector. Around 55% of organisations admit to being a victim of fraud in the last two years. It is therefore a risk that the Council cannot and should not ignore.
- 1.2 Any fraud committed against the Council effectively constitutes the theft of taxpayers money. It is unlawful and deprives the Council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the Council can reduce losses which impact on service delivery as a contribution to the achievement of overall Council priorities.
- 1.3 This document sets out the Council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It forms part of the Council's overall policy framework for combating fraud and corruption and should be read in conjunction with the Constitution, the Financial Regulations and Procurement Rules, the Fraud and Corruption Prosecution Policy, the Whistleblowing Policy, disciplinary procedures, and the Anti-Money Laundering Guidance.

## 2 Definitions and Scope

- 2.1 For the purpose of this policy, the term fraud is used broadly to encompass:
- acts which would fall under the definition in the Fraud Act 2006
  - anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
  - any act of corruption (ie the giving or receipt of gifts with a view to the giver receiving a more favourable treatment than they would otherwise be entitled to)
  - acts of theft
  - any other irregularity which is to the detriment of the Council whether financially or otherwise, or by which someone gains benefit they are not entitled to.
- 2.2 This policy does not cover fraud or corruption against third parties, even where the Council takes part in its investigation or prosecution. In addition,



it does not cover other acts – for example offences involving violence - which may affect the Council, and which should be to be reported directly to the Police.

### 3 Principles

- 3.1 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that Members and all staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the Constitution, the Council's policy framework, and all relevant professional and other codes of practice.
- 3.2 The Council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.
- 3.3 The Council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. Due to its nature, the investigation of Housing and Council Tax Benefit Fraud will be subject to prioritisation using formal risk assessment criteria. The Council may refer any incident of suspected fraud to the Police or other agency for investigation, if appropriate.
- 3.4 To act as a deterrent, the Council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the Fraud and Corruption Prosecution Policy.
- 3.5 As a further deterrent, and to minimise losses, the Council will attempt to recover any losses incurred through civil or legal action. In addition, the Council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.

## 4 Responsibilities

- 4.1 Overall responsibility for the approval of this policy rests with the Executive Member for Corporate Services on behalf of the Council in accordance with the terms of the Council's Scheme of Delegation.
- 4.2 The Audit and Governance Committee has a responsibility to provide advice to the Council on issues arising out of fraud investigations and report any remedial or preventative action that has or which ought to be taken by the Council in relation to such matters. It also monitors Council policies on Whistle blowing and Counter Fraud & Corruption and can consider any matter referred to it in accordance with the Council's Whistle-blowing Policy and procedures.
- 4.3 The Officer Governance Group has a responsibility for ensuring that the Council has effective fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.
- 4.4 The Audit and Fraud Service is responsible for maintenance of the Counter Fraud and Corruption Policy and Fraud and Corruption Prosecution Policy. In addition, the department leads on fraud prevention and detection issues for the Council and is responsible for investigating any suspected cases of fraud or corruption. The Internal Audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Chief Internal Auditor is required to report his/her professional opinion on the Council's control environment to Members of the Audit & Governance Committee on an annual basis in accordance with Financial Regulations and professional best practice requirements.
- 4.5 All directors have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of Internal Audit or by other means are addressed promptly. The Chief Financial Officer is required by statute and non-statutory codified best practice to ensure there are appropriate systems of control in place to prevent and detect fraud.
- 4.6 The Head of Civic, Democratic and Legal Services is the Council's nominated Money Laundering Reporting Officer for the purposes of the Money Laundering Regulations (2003), and has a statutory responsibility for reporting any issues referred in this capacity.
- 4.7 All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to the

- Audit and Fraud Service. Where appropriate, staff may use the Whistleblowing Policy to raise concerns anonymously.
- 4.8 Officers within Human Resources have a responsibility to support service departments in undertaking any necessary disciplinary process after consultation and initial investigation, where appropriate, by the Audit and Fraud Service.
- 4.9 The Risk Management, Procurement and Insurance Service has responsibilities for ensuring that:
- overall procurement arrangements are robust and designed in such a way as to minimise the risk of fraud and corruption wherever possible;
  - procedures are developed to prevent and detect fraud in respect of all contracting activities undertaken in the name of the Council
  - potential losses due to fraud or corruption are considered by all parts of the organisation further to the Council's corporate Risk Management Strategy & Policy and supporting processes and procedures.

## 5 Overall Counter Fraud Arrangements

### Introduction

- 5.1 The purpose of this section is to set out the Council's overall framework for countering the risk of fraud and corruption. While the Council aims to follow best practice in relation to counter fraud activity<sup>1</sup>, it recognises that there are areas for further development. This section therefore also sets out those areas of practice it wishes to develop further.

### Measurement

- 5.2 The Council will maintain systems for assessing potential risks and losses due to fraud and corruption (for example through its risk management arrangements), and will use these to prioritise counter fraud activity, and review the resources available to counter those risks. The review will include an assessment of actual levels of fraud<sup>2</sup> and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will

---

<sup>1</sup> For example the CIPFA Better Governance Forum publication "*Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*"

<sup>2</sup> All suspected fraud should be reported to the Audit and Fraud Service. A record of all such information will be maintained on a confidential basis.

be reported to the Audit and Governance Committee on an annual basis as part of the Audit and Fraud planning cycle.

### **Culture**

5.3 The Council will promote a culture whereby all staff, Members, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:

- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, Council Members, partners, stakeholders or members of the public;
- investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the Financial Regulations & Procurement Rules, Fraud and Corruption Prosecution Policy, Disciplinary Process, Members Code of Conduct, or any relevant legislation;
- ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

### **Prevention and Detection**

#### Controls

5.4 As part of its ongoing operating procedures, the Council seeks to ensure that proper systems of internal control are in place. This includes controls to directly prevent and detect fraud, such as separation of duties and management review, along with other procedures such as vetting as part of recruitment processes and systems for declaration of interests and gifts and hospitality. The effectiveness of systems of control are monitored by directorates, and a formal report is made as part of the process for preparing the Annual Governance Statement. The Council maintains a system of Internal Audit to provide independent review of control systems on an ongoing basis, in accordance with a risk assessment.

5.5 Services will be encouraged to consider the risk of fraud as part of the Council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

#### Proactive Work

5.6 The Council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk

areas. This work will be carried out by the Audit and Fraud Service as part of its annual workplan. Work will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other local Councils.

- 5.7 The Council will take part in projects led by other agencies such as the DWP and Audit Commission to identify potential fraud. For example the National Fraud Initiative and HBMS Data Matching Service. Resources will be allocated to follow up all data matches as part of the Audit and Fraud Team workplan. The Audit and Fraud Service will work with service departments to ensure that they are aware of the need to include notices to service users stating that any data held may be subject to use for data matching purposes.

#### Relationships

- 5.8 The Council has established relationships with a number of other agencies. It will continue to develop these relationships and develop new ones to further the prevention and detection of fraud. Organisations which the Council will work with include:

- The Police
- Audit Commission
- Courts
- Department for Works and Pensions
- Other Councils
- Office of Fair Trading
- Community Groups

- 5.9 The Audit and Fraud Service will work with other Council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust. Where appropriate, formal protocols will be developed setting out departments responsibilities (for example between Audit and Fraud and Human Resources).

#### Fraud Awareness Training

- 5.10 As part of its annual workplan, the Audit and Fraud Service will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

#### Investigation

- 5.11 All suspected cases of fraud, corruption, theft or other irregularity will be investigated. The nature of each investigation will depend on the circumstances of each case. The Audit and Fraud Service will act as a first

port of call for any suspected fraud and will provide advice on whether other agencies should be notified (eg the Police). The Audit and Fraud Service will determine the extent of the investigation to be carried out in consultation with service departments and Human Resources<sup>3</sup>. Where necessary, the Audit and Fraud Service may refer cases directly to other agencies without consultation (for example the Police or Audit Commission) at the discretion of the Chief Internal Auditor.

- 5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation and codes of practice. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the Data Protection Act, and the Criminal Procedures Investigations Act. Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).
- 5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.
- 5.14 The Chief Internal Auditor will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with good practice.

#### Publicity

- 5.15 The Council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.
- 5.16 In addition, a targeted campaign of publicity will be undertaken each year to raise the awareness of fraud to staff, Members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:
- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud
  - inform all stakeholders of the procedures to be followed if they have suspicions of fraud
  - ensure that all stakeholders are aware that the Council will not tolerate fraud and the consequences of committing fraud against it.

---

<sup>3</sup> For suspected Housing Benefit or Council Tax Benefit Fraud the Audit and Fraud Service will determine the extent of investigation required based on a risk scoring system.

### Recovery of Monies

- 5.17 Where any loss has been incurred by the Council or additional costs have been incurred as a result of fraud or corruption, the Council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the Council is minimised and act as a deterrent. As a further deterrent, the Council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.
- 5.18 Methods of recovery may include:
- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation)
  - bankruptcy where appropriate
  - recovery from future salary payments if an individual remains an employee of the Council
  - recovery of pension contributions from employees or Members who are members of the North Yorkshire Pension Fund.

## 6 Monitoring & review arrangements

- 6.1 The arrangements set out in this policy document will be reviewed on an annual basis as part of the Audit and Fraud planning cycle and will include the Fraud and Corruption Prosecution Policy, and other related guidance. The Audit and Fraud Service will work with other departments to ensure that other related guidance and policy (such as the Whistleblowing Policy) are reviewed on a regular basis and any amendments or necessary changes in policy or approach reported to Members for consideration, update and approval purposes as they arise. Notwithstanding the need for any interim review, that the entire policy framework will be subject to review by members at least once every three years and monitored in-year by Members of the Audit & Governance Committee.

This page is intentionally left blank



**CITY OF YORK COUNCIL**  
**FRAUD AND CORRUPTION PROSECUTION POLICY**

# 1 Scope and Purpose

- 1.1 The Fraud and Corruption Prosecution Policy forms part of the Council's overall counter-fraud and corruption strategy. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or Members of the Council, or committed by members of the public, or other organisations or their employees, against the Council.
- 1.2 The policy sets out the circumstances in which the Council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The Policy does not cover internal disciplinary procedures which are the subject of the Council's separate Disciplinary Policy and procedures.
- 1.3 This policy should be read in conjunction with the Council's Constitution, Financial Regulations & Procurement Rules, the Counter Fraud and Corruption Policy, the Whistleblowing Policy and the Council's Disciplinary Policy and procedures.
- 1.4 Housing and Council Tax Benefit fraud is the most common type of fraudulent act committed against the Council. The Policy contains specific guidelines for determining the most appropriate course of action when fraud of this kind has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations and/or the collection of taxes) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.
- 1.5 In accordance with the Council's Financial Regulations all staff and Members must inform the Chief Internal Auditor (the AD Resources - ARM) immediately if they suspect or know of any impropriety, financial irregularity, fraud or corrupt practice. Where fraud or corruption is subsequently proven then any decision on whether to prosecute the perpetrator(s) can only be taken by one of the following 'authorised officers', subject to the specific requirements regarding consultation with relevant Director(s) and the Chief Finance Officer (the Director of Resources) as set out in the Financial Regulations;
- the AD Resources (ARM);
  - the Audit and Fraud Manager;
  - the Deputy Audit and Fraud Manager;
  - and/or any other officer specifically named as an 'authorised officer' in the Council's Officer Scheme of Delegation.

Where there is any doubt about the circumstances of a particular case then the Director of Resources will be asked to make the final decision.

## 2 Principles

- 2.1 The Council is committed to an effective anti-fraud and corruption strategy. The strategy is designed to encourage the prevention and detection of fraud and corruption. As part of the strategy the Council is also committed to taking appropriate action against anyone believed to have attempted and/or committed a fraudulent or corrupt act against it. The Council considers that those guilty of fraud or corruption must take responsibility for their actions before the courts.
- 2.2 The Policy is designed to ensure that the Council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.
- 2.3 Staff and Members who are found to have committed fraud or corruption may be prosecuted in addition to such other action(s) that the Council may decide to take, including disciplinary proceedings in the case of staff and referral to the Council's Standards Committee and/or the Standards Board for England in the case of Members. Any decision not to prosecute a member of staff for fraud and corruption does not prevent the Chief Finance Officer (the Director of Resources) from requiring remedial action to be taken by the relevant Director(s) (including disciplinary action) in accordance with the Council's Financial Regulations.
- 2.4 This Policy is also designed to be consistent with Council policies on equalities. The Council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.
- 2.5 The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The Council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.
- 2.6 Any decision taken by an 'authorised officer' to prosecute an individual or to offer a formal sanction (HB/CTB cases only) will be recorded in writing. The reason for the decision being taken will also be recorded.
- 2.7 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the Council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

## 3 Prosecution

- 3.1 The policy is intended to ensure the successful prosecution of offenders

in court. However, not every contravention of the law should be considered for prosecution. The Council will weigh the seriousness of the offence (taking into account the harm done or the potential for harm arising from the offence) with other relevant factors, including the financial circumstances of the defendant, mitigating circumstances and other public interest criteria. All cases will be looked at individually and be considered on their own merit.

- 3.2 To consider a case for prosecution the Council must be satisfied that two tests have been passed. Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **Evidential Test**. Secondly, it must be in the public interest to proceed – the **Public Interest Test**.
- 3.3 To pass the Evidential Test, the authorised officer must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).
- 3.4 To pass the Public Interest Test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;
  - the likely sentence (if convicted);
  - any previous convictions and the conduct of the defendant;
  - whether there are grounds for believing the offence is likely to be repeated;
  - the prevalence of the offence in the area;
  - whether the offence was committed as a result of a genuine mistake or misunderstanding;
  - any undue delay between the offence taking place and/or being detected and the date of the trial;
  - the likely effect that a prosecution will have on the defendant;
  - whether the defendant has put right the loss or harm caused.
- 3.5 It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;
  - the actual or potential loss to the Council was substantial (and for benefit related fraud exceeds the thresholds set out in the financial guidelines which form part of this Policy);
  - the fraud has continued over a long period of time;
  - the fraud was calculated and deliberate;
  - the person has previously committed fraud against the Council (even if prosecution did not result) and/or there has

- been a history of fraudulent activity;
- the person was in a position of trust (for example, a member of staff);
- there has been an abuse of position or privilege;
- the person has declined the offer of a caution or administrative penalty, or has withdrawn the offer to pay an administrative penalty (HB/CTB cases only);
- the case has arisen from a collusive employer or landlord investigation (HB/CTB cases only);
- the case has involved the use of false identities and/or false or forged documents (HB/CTB cases only);

## 4 Mitigating Factors

- 4.1 The following mitigating factors will be taken into account when determining whether to prosecute;

### Voluntary Disclosure

- 4.2 A voluntary disclosure occurs when an offender voluntarily reveals fraud about which the Council is otherwise unaware. If this happens, then the fraud will be investigated but the offender will not be prosecuted unless in exceptional circumstances. However, any person colluding in the crime will still be prosecuted. A disclosure is not voluntary if the:-

- admission is not a complete disclosure of the fraud;
- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the Council is already undertaking an investigation in this area and/or other counter fraud activity);
- offender only admits the facts when challenged or questioned;
- offender supplies the correct facts when making a claim to Legal Aid;
- disclosure comes to light in some other way, for example, by the issue of a Housing Benefits review form (HB/CTB cases only).

### Ill Health or Disability

- 4.3 Where the perpetrator (and/or their partner in HB/CTB cases) is suffering from prolonged ill health or has a serious disability or other incapacity then the offender will not be prosecuted unless in exceptional

circumstances. Evidence from a GP or other doctor will be requested if the condition is claimed to exist, unless it is obvious to the investigator. For HB/CTB cases it is also necessary to prove that the person understood the rules governing receipt of benefit and was aware that their action is wrong. This may not be possible where, for instance, the offender has serious learning difficulties. However, simple ignorance of the law will not prevent prosecution.

#### Social Factors

- 4.4 A wide range of social factors may make a prosecution undesirable. The test is whether the court will consider the prosecution undesirable, and go on to reflect that in the sentence.

#### Exceptional Circumstances

- 4.5 In certain exceptional circumstances the Council may decide not to prosecute an offender. Such circumstances include;
- the lack of sufficient resources to complete the investigation within a reasonable period of time (even after requesting assistance from the police and the DWP);
  - the prosecution would not be in the interests of the Council.

## 5 Alternatives to Prosecution (HB/CTB cases only)

- 5.1 If a Housing or Council Tax Benefits case is considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the Council may consider the offer of a sanction instead. The two sanctions available are;
- formal cautions, or;
  - administrative penalties.

#### **Formal Cautions**

- 5.2 A formal caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. A formal caution is a serious matter and all cautions are recorded by the DWP. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.
- 5.3 Subject to the thresholds set out in the financial guidelines below, a formal caution will normally be offered where all of the following apply;
- there is sufficient evidence to justify instituting criminal proceedings;

- the person has admitted the offence;
- it was a first offence, and;
- an administrative penalty is not considered to be appropriate.

Only in very exceptional circumstances will a further caution be offered for a second or subsequent offence of the same nature.

- 5.4 Cautions will be administered by the Audit and Fraud Manager, Deputy Audit and Fraud Manager, or the Fraud Team Leader. If a caution is offered but not accepted then the Council will usually consider the case for prosecution. In such cases the Court will be informed that the defendant was offered a penalty but declined to accept it.

### **Administrative Penalties**

- 5.5 Section 115A of the Social Security Administration Act 1992 as amended by Section 15 of the Social Security Administration (Fraud) Act 1997, permits an administrative penalty to be offered to claimants as an alternative to prosecution. The penalty is set at a rate of 30% of the total benefit overpayment. Once an administrative penalty is accepted, the claimant has 28 days to change their mind.
- 5.6 Subject to the thresholds set out in the financial guidelines below, an administrative penalty will normally be offered by the Council in the following circumstances;
- the Council believes that there is sufficient evidence to prosecute;
  - it was a first offence or a previous offence was dealt with by way of a caution, and;
  - in the opinion of the Council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;
  - the claimant has the means to repay both the overpayment and the penalty, and;
  - there is a strong likelihood that both the overpayment and the penalty will be repaid.
- 5.7 It is important to note that the claimant does not need to have admitted the offence for an administrative penalty to be offered. Administrative penalties will be administered by the Audit and Fraud Manager, Deputy Audit and Fraud Manager, or the Fraud Team Leader. If an administrative penalty is not accepted or is withdrawn then the Council will usually consider the case for prosecution. In such cases the Court will be informed that the defendant was offered a penalty but declined to accept it.

## 6 Financial Guidelines (HB/CTB cases only)

- 6.1 Where the 'authorised officer' considers that justice can be best served with a caution or administrative penalty where the overpayment is higher than the figures shown below then discretion may be applied. Equally, discretion may be applied where it is considered reasonable to prosecute but the overpayment is lower than the limit prescribed.
- 6.2 The following guidelines apply in helping to determine the appropriate action to take;
- A formal caution or an Administrative Penalty may be offered where the overpayment is under £2,000. The decision on which to offer will depend on the circumstances of the case and whether the offence has been admitted or not by the accused.
  - If the overpayment is over £2,000 and it is considered to be in the public interest then prosecution proceedings will generally be instigated.
  - The Council will not normally consider prosecution or a formal sanction in cases where the total overpayment is less than £100 (unless there are particular circumstances which make this desirable) although the overpayment will still be recovered from the claimant.
- 6.3 Where the size of the overpayment is such that the Council would normally prosecute but there are mitigating factors which make such a prosecution undesirable then a formal sanction may be offered instead.
- 6.4 Serious attempted fraud which is discovered before benefits have been put into payment (and where there is no overpayment of benefit as a result) will also be considered for prosecution or sanction. The criteria for determining whether a prosecution is appropriate will be the potential seriousness of the fraud as opposed to the value of the overpayment. Each case will be considered on its own merits and action will be taken as appropriate.

## 7 Proceeds of Crime Act 2002 (POCA)

- 7.1 In addition to the actions set out in this policy, the Council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order enables the Council to recover its losses from assets which are found to be the proceeds of crime.



## 8 Implementation Date

- 8.1 This policy is effective from 1 October 2006 and covers all fraudulent or corrupt acts which are identified after this date.

This page is intentionally left blank



---

## Meeting of the Executive Member for Corporate Services and Advisory Panel

18 March 2008

Report of the Assistant Director (Audit and Risk Management)

---

### Audit and Fraud Shared Service – Business Options

---

#### Summary

- 1 To advise Members of the progress which has been made to date in developing the audit and fraud shared service initiative with North Yorkshire County Council (NYCC), and the outcome of the options analysis, as set out in the Outline Business Case. The report also seeks Member approval to proceed with the project as originally defined and to implement an appropriate long term structure for the service.

#### Background

- 2 Local authorities are being encouraged to re-think traditional methods of service delivery in order to reduce waste, increase efficiency and improve outcomes. A key theme in the recent Government White Paper 'Strong and Prosperous Communities' was that one of the main ways for local authorities to achieve such improvements is through greater joint working to optimise economies of scale and maximise service efficiencies.
- 3 Following initial discussions, York and NYCC expressed a desire to explore the possibilities for greater joint working, particularly in respect of back office finance and governance related functions. Audit and fraud services were identified as suitable areas for early consideration. The intention was to treat this as a pilot exercise so as to enable the benefits of such an approach to be properly assessed in a discrete, low risk service area for both authorities. The experience gained would then inform consideration of possible future collaboration in other service areas.
- 4 A report was presented to Corporate Services EMAP on 11 September 2007, setting out the potential benefits of collaboration. Members approved the development of a shared audit and fraud service between the two Councils, and agreed that a three phase strategic approach should be adopted as follows;
  - a) Phase I – short term management arrangement and development of business options for the long term organisational structure of the service;

- b) Phase II – implementation of the agreed structure and benefits realisation;
- c) Phase III – review, evaluation and appraisal of other shared service opportunities.

### **Drivers for Change**

- 5 The drivers for change at both a national and local level facing the two Councils are;
- a) The transformational policy agenda. The Department for Communities and Local Government White Paper 'Strong and Prosperous Communities' encourages authorities to work collaboratively together, and with other public sector bodies to deliver efficiencies and value for money;
  - b) Comprehensive Performance Assessment (CPA). Joint commissioning and shared services are key determinants in the Use of Resources – Key Lines of Enquiry assessment. The Audit Commission is currently consulting on the approach to be followed for the Comprehensive Area Assessment (CAA), but have already indicated that greater emphasis will be placed on organisational effectiveness, partnering, increased efficiency, and joint commissioning;
  - c) Local Government Reorganisation. Whilst North Yorkshire County Council's proposed bid for unitary status was not successful there remains a strong expectation from government that authorities in and around North Yorkshire will in future work more collaboratively;
  - d) The need to build service resilience and capacity across both authorities to maintain an effective and professional audit and fraud function, in the face of problems in covering key staff vacancies and difficulties in being able to respond to changing priorities and increasing workload demands;
  - e) The need to retain skilled and experienced staff by creating greater critical mass and providing more opportunities for career development and specialism;
  - f) The need to make best use of the scarce professional audit expertise available (particularly in contract and IT audit), given that both authorities encounter difficulties in building sufficient capacity in-house, so as to avoid the reliance on expensive external providers;
  - g) The need to further enhance the professional standards of the audit and fraud services in both Councils so as to maintain and develop the effectiveness of the function and comply with legislative and regulatory requirements;

- h) The need for both Councils to develop proper arrangements for succession planning and reduce the existing reliance on certain key staff for service continuity.

## **Benefits of Collaboration**

- 6 The key benefits to the two Councils of collaboration are;
  - a) Providing greater resilience and capacity. The combined team would be better placed to manage resource pressures, including staff vacancies and/or unexpected service demands;
  - b) Providing greater flexibility to respond to changing priorities, initiatives and/or new working methods;
  - c) Delivering efficiencies through sharing best practice, integrating processes and reducing duplication of effort;
  - d) Demonstrating a positive response to the government's efficiency and service transformation agenda;
  - e) Achieving economies of scale by sharing overheads and reducing unproductive time whilst maintaining or improving current levels of performance;
  - f) Enhancing the focus on service delivery, professionalism and quality such that the combined service is seen as a 'beacon of excellence';
  - g) Increasing the opportunities for staff to specialise and enhancing career opportunities, resulting in greater staff satisfaction and retention;
  - h) Providing greater opportunity to develop audit specialisms and reduce the reliance on bought-in services;
  - i) Providing a robust shared service model which offers greater opportunity for future collaboration with other Councils in the region, particularly the North Yorkshire districts, and which helps to develop the existing market place;
  - j) Improved succession planning arrangements and a reduced reliance on key members of staff for service continuity;
  - k) The ability of both Councils to develop common approaches to new and developing initiatives (for example, Corporate Area Assessments and joint Private Finance Initiative projects).

## **Progress to Date**

- 7 Phase I of the shared service with NYCC commenced on 1 October 2007. The interim shared management arrangements were put in place from this date with the CYC Audit and Fraud Manager assuming overall management responsibility across both teams. This has provided management economies of scale whilst at the same time providing clear leadership and focus through the period of change.

- 8 A Project Board, comprising the Assistant Director Resources (Audit and Risk Management), the Assistant Director (Central Finance – NYCC) and the Audit and Fraud Manager was also established to direct and coordinate the development and delivery of the shared service. During phase I of the process, the two staff groups have continued to operate from their existing office locations. The staff have also remained on their current terms and conditions. A minor restructure was however undertaken at CYC to reflect the changed management responsibilities and to establish local 'site' management support for the Audit and Fraud Manager in the operational delivery of the service. NYCC also made an appointment to a new post of Audit and Information Assurance Manager (the NYCC equivalent local 'site' manager).
- 9 Progress has been made to integrate working practices and systems across both teams. Although both teams use the Galileo IT application to manage and record audit work, the version operated by NYCC uses a different operating system. Work is therefore underway to migrate NYCC staff to the CYC version of the system. This will require certain system modifications as well as consideration of data transfer and security issues. A standard audit procedure manual is being prepared and audit programmes consolidated.
- 10 Staff and key stakeholders have been kept updated on progress with the project, at regular intervals. A Communications Strategy was agreed and three joint staff workshops have been held. Local and regional representatives from Unison have also been kept informed of developments.
- 11 Work has also been undertaken to evaluate the detailed business options for the long term organisational structure of the service. Baseline financial and performance benchmarking information was collected and analysed. The local government project delivery specialists, 4ps have also provided technical advice and support to the project. NYCC also secured funding of £21.5k from the Yorkshire and Humber Centre of Excellence to help fund external legal, HR and procurement advice, and the IT integration costs associated with the project.

## **Outline Business Case**

- 12 An Outline Business Case (OBC) has been prepared which sets out the aims and objectives for the project. The OBC is intended to provide the basis for determining the most appropriate organisational structure for the shared service, as well as detailing the anticipated outputs and outcomes which the project is expected to deliver. A copy of the OBC is attached as annex A.
- 13 As well as setting out the drivers for change and the key benefits of collaboration, the OBC includes details of the existing service arrangements at both Councils, the vision and objectives for the shared service, and the links to both Council's corporate objectives and priorities.

- 14 The OBC also contains details of the options appraisal undertaken by the Project Board to help identify the future scope, scale and direction of the project. The results of the options analysis are set out below.

## Consultation

- 15 Staff from both authorities, together with local and regional representatives from Unison have been consulted on the proposals set out in this report. In addition, senior management at both authorities have also been consulted and are supportive of the proposals. Discussions have also been held with HR, finance and legal representatives at both Councils.

- 16 Regular staff workshops have been held to keep staff informed of progress, and to allow them the opportunity to contribute to the process and to raise any concerns which they may have. The staff at CYC are generally happy with the proposals set out in this report although they are anxious to ensure that the final implementation of the chosen option is not to their detriment. Unison has provided the following response;

*“A meeting was held with UNISON representatives and the three preferred options for the delivery of a shared service were presented. UNISON were advised that Option E, a company limited by shares or guarantee (ALMO), was the recommended option.*

*UNISON stated that whilst they are opposed in principal to the creation of an ALMO they supported the development of a shared service and would work with the programme board to ensure that staff terms and conditions are not compromised.”*

- 17 The Chair of the Audit and Governance Committee has been briefed on the proposals set out in this report. The A&G Committee has also been kept informed of progress in developing the shared service. Their views have been taken into account in the development work undertaken to date. Ongoing discussions have also been held with the Council’s external auditors, the Audit Commission. It is important to ensure that the outcome of this process satisfies the responsibilities of the A&G Committee with regard to the efficacy of the audit function, and will also enable the Audit Commission to continue to place reliance on internal audit work. Both are satisfied with the progress and scope of the work undertaken to develop the initiative, to date.

- 18 Further formal consultation with staff and Unison on the proposals will be undertaken as part of the implementation process, in accordance with the Council’s change management policies.

## Options

- 19 Members have four options to consider at this stage in the project process, as set out in the OBC. The options are;
- a) Option 1 – abandon the current process of collaboration between the two Councils and revert back to the service arrangements which existed prior to 1 October 2007 (do nothing);

- b) Option 2 – abandon the current project to develop a long term shared service solution for the provision of audit and fraud services but explore more limited collaboration where appropriate (do the minimum);
  - c) Option 3 – proceed with a shared service project but change the original scope and, or direction of the process by, for example, bringing in additional partners or changing the range of services to be included (do something else);
  - d) Option 4 – proceed with the scope and direction of the project, ie to establish a formal shared service between CYC and NYCC, as originally set out and agreed by Members in September 2007 (to continue with the current development process).
- 20 Option 4 is recommended. This approach is considered the most likely to deliver the anticipated benefits set out in paragraph 6 above. These benefits cannot easily be achieved by either Council continuing to operate in isolation. The problems caused by lack of capacity and resilience would not be addressed and the resource pressures on both Councils would only continue if changes to the existing service provision were not made. Option 1 is therefore not recommended. Whilst option 2 can deliver some of the benefits of collaboration it will not achieve the necessary step change in service resilience or maximise the expected efficiencies. Option 2 is therefore not recommended. Whilst Option 3 might prove of value in the future, there are no discernable advantages at this stage in significantly changing the scope of the project through the inclusion of additional services, or by inviting other potential partners to join the service. Option 3 is therefore not recommended.
- 21 The existing interim joint working arrangements have confirmed the significant level of trust between the two Councils and the shared commitment to make the project a success. This period of joint working has also confirmed that the potential efficiencies are achievable, for example, through improved resource allocation, the standardisation of IT applications and the sharing of best practice.
- 22 In terms of audit and fraud related services there is a close strategic fit between NYCC and CYC. The Councils provide many of the same services – including education, social care, highways, libraries and trading standards, and therefore the skills and knowledge are easily transferable. The main Council offices are geographically close and other partnership arrangements already exist or are being developed between the two Councils.
- 23 Assuming that Members wish to proceed with the project as defined (Option 4 - paragraph 19), then seven possible options have been identified for the long term organisational structure of the shared service, as follows:
- a) Option A - Joint Working Arrangement  
Formal agreement between the two Councils to collaborate in service delivery. Officer based decision making structure (primarily limited to operational issues). Staff would remain employed by their respective Councils. The agreement would provide an



opportunity to share best practice and second staff between the Councils to meet peaks in workload or other demands.

- b) Option B - Contract to Supply Services  
Service provided by Council 'X' to the other under contract. Services delivered and managed within the decision-making framework of Council 'X'. Council 'Y' would need to undertake an EU compliant tender exercise to award the contract. It would also require a 'client' structure to monitor the delivery of the contract. Council 'X' would own assets and enter into contracts. Staff in Council 'Y' would be subject to a TUPE<sup>1</sup> transfer to Council 'X'.
- c) Option C – Joint Committee  
Joint partnership agreement based on a Member Committee, which would be responsible for strategic decision making and policy setting. Operational decisions taken by joint management structure. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X' (acting as nominal lead authority). Council 'X' would also own all assets and enter into contracts.
- d) Option D – Function Delegated by Council 'Y' to Council 'X'  
Function formally delegated by one Council to the other, with the service delivered in accordance with a service level agreement (SLA). Council 'X' (acting as lead authority) would be responsible for strategic decision making and policy setting, but with possible oversight by Member/officer Partnership Board. Council 'X' responsible for operational management. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X'. Council 'X' would also own all assets and enter into contracts.
- e) Option E – Company Limited by Shares or Guarantee  
Joint service outsourced to a company limited by shares or guarantee. The company would be wholly owned by the two Councils, with a board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Company able to own assets, enter into contracts and employ staff in its own right. Staff from both Councils would be subject to a TUPE transfer to the company. Councils would be able to receive dividends.
- f) Option F – Joint Venture Vehicle  
Joint service outsourced to a company limited by shares (with ownership shared between the two Councils and a private sector partner). Board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Opportunities exist for external investment in the service. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company. Company able to own assets, enter into contracts and employ staff in its own right.

---

<sup>1</sup>The Transfer of Undertakings (Protection of Employment) Regulations

g) Option G – Fully Outsourced Service

Service provided by private sector company. Board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Opportunities exist for external investment in the service. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company. Company able to own assets, enter into contracts and employ staff in its own right.

24 The Project Board assessed all of these options against a series of agreed criteria. The results of this assessment are set out in paragraph 42 of the OBC. This evaluation process identified three preferred options, as follows:

- Option A – Joint Working Arrangement
- Option C – Joint Committee
- Option E – Company Limited by Shares or Guarantee

25 One of the key determinants in the assessment process was the degree to which each Council would be able to exercise control and influence over the services in the future. Both Councils also wish to retain sufficient and continuing access to the services concerned. It was also considered essential that the chosen option would represent a genuinely equal partnership between the Councils. Options B and D required one or other Council to assume overall responsibility for operational management and decision making. In such circumstances it was considered unlikely that the partnership would be perceived as being equal. Options B and D were therefore discounted. Options F and G were similarly discounted because any private sector involvement would necessarily diminish the degree of control and influence each Council would have over the future direction of the service. The set up costs for options F and G were also likely to be high given the need to undertake a full EU compliant tender exercise and to establish client structures in both Councils.

26 The three preferred options were then subject to more detailed assessment. The results of this detailed assessment are set out in annex 3 of the OBC.

27 All three options are considered to be affordable and would be relatively easy to set up and operate. However, option A lacks resilience and would not form a sound platform to develop the service in the future. Its viability is too dependent on certain key individuals and there is a significant risk that it would not survive if they should leave. It is also the least likely to deliver the anticipated benefits and service improvements. Option C offers long-term resilience and would deliver service efficiencies. However, it would not be perceived as an equal partnership between the two Councils. This is considered to be politically unacceptable since one of the Councils would necessarily need to take

the lead, and would therefore be able to exert a disproportionate degree of control and influence over the service.

- 28 Option E (Company Limited by Shares or Guarantee) is recommended. This option offers the required long-term resilience because it is not dependant on certain key individuals, and it will deliver the expected efficiencies and economies of scale set out in the vision and objectives for the shared service. The company would be an equal partnership between the two Councils, with both owning an equal 50:50 share. The company would therefore enable both Councils to exercise the same degree of control and influence over the future direction and development of the service. In addition, the company would be able to offer audit and fraud services to other public and third sector bodies, thereby helping the Council to discharge its responsibilities under the Local Government Act 2000, by developing the market place and offering alternative means of supply. It also offers an appropriate structure to enable other local authorities and public sector bodies in the region to join the partnership in the future, should CYC and NYCC as joint partners agree that this would be appropriate. Forming a company also represents a more innovative solution and is therefore more likely to inform both Councils of the possible lessons from shared service working.
- 29 Subject to Members approval to proceed with the development of Option E, the Project Board proposes to use the OBC as the basis for developing a detailed Project Implementation Plan. This will enable the Project Board to refine and agree the appropriate governance structures and arrangements, and to fully address all the financial and staffing implications prior to final Member approval. It is proposed to follow the following timetable, with a final report being presented to Members in September 2008 setting out the full implications;

| Action   | Date                      |
|--|---------------------------|
| Prepare detailed Project Implementation Plan – which would include the following elements; <ul style="list-style-type: none"> <li>• Company formation</li> <li>• Governance arrangements</li> <li>• Client roles and reporting arrangements</li> <li>• Contract preparation</li> <li>• Charging arrangements</li> <li>• Cost allocation</li> <li>• Staffing</li> <li>• Accommodation, IT and support services</li> </ul> | April - August 2008       |
| Prepare Change Management Programme  | June - August 2008        |
| Implement agreed structure, subject to final Member approval.  | September - December 2008 |

|                     |              |
|---------------------|--------------|
| Target go-live date | 1 April 2009 |
|---------------------|--------------|

Progress reports will be presented to both the Audit and Governance Committee and to Corporate Services EMAP, through the period.

## Analysis

- 30 The detailed analysis and assessment of the options for the future direction of the shared service and the organisational structure are set out in the OBC.

## Corporate Priorities

- 31 This report contributes to the Council's overall aims and priorities by helping to provide strong leadership, and by encouraging improvement in everything we do.

## Implications

- 32 The implications are;

- **Financial** – The proposals have been discussed with Finance. An assessment of the set up and operating costs for the chosen option is included in the OBC (annex 3). A Project Implementation Plan will be prepared which will include details of the payment mechanism for the shared service, and the cost sharing arrangements between the two Councils. The Plan will be developed in accordance with the financial principles and projections set out in annex 4 of the OBC. Final implementation will only take place when there is agreement between the two Councils on the appropriate financial arrangements, and subject to final Member approval.
- **Human Resources (HR)** – HR have been consulted on the implications of the proposals set out in this report. The overall staffing implications of the chosen option have been considered and are set out in the OBC. A Project Implementation Plan and associated Change Management Programme will be prepared. This will include full consideration of all the TUPE and other related implications, both for the Council and the staff concerned. Final implementation will not proceed until there is agreement between the two Councils regarding all aspects of the staffing implications.
- **Equalities** - there are no equalities implications to this report.
- **Legal** – Legal Services have been consulted on the proposals. The Council has the necessary legal powers to implement the recommended option for the future structure of the shared service.

- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications for CYC arising from this report. Work is ongoing to enable NYCC staff to use the audit IT application currently used by CYC staff. The costs of this work are being met from funding provided by the Y&H Centre of Excellence.
- **Property** - there are no property implications to this report. It is proposed that the Council would provide fully serviced accommodation to the shared service, keeping with the provision currently made available to CYC audit and fraud staff.

## Risk Management Assessment

- 33 The proposed collaboration offers an opportunity to deliver efficiencies and economies of scale. The risks of the project and the preferred option for the long term structure for the shared service have been considered by the Project Board. The risks and the planned actions to mitigate those risks, are set out in annex 5 of the OBC.

## Recommendation

- 34 The Advisory Panel are asked to advise the Executive Member to;
- a) Note the progress which has been made in developing the shared service initiative to date, and the outcome of the options appraisal as set out in the Outline Business Case;

Reason

*To enable Members to consider the progress made with the shared service initiative to date, and the outcome of the options appraisal undertaken by the Project Board.*

- b) Note the options for the future direction of the project, as set out in paragraph 19, and approve the officer recommendation to proceed with the project as originally defined (Option 4);

Reason

*To enable Members to agree the next steps in the development of the shared service.*

- c) Approve, in principle, the officer recommendation to proceed with option E, as the long term organisational structure of the shared service;

Reason

*To enable Members to agree the next steps in the development of the shared service.*

- d) Note the intention to report back to this Committee for final Member approval, before progressing to full implementation of the chosen option.

Reason

*To enable Members to agree the next steps in the development of the shared service.*

**Contact Details**

**Author:**

Max Thomas  
Audit and Fraud Manager  
Audit and Risk Management  
Telephone: 01904 552940

**Chief Officer Responsible for the report:**

Liz Ackroyd  
Assistant Director (Audit and Risk Management  
Telephone: 01904 551706

**Report Approved**



**Date** 7 March 2008

**Specialist Implications Officers**

Patrick Looker (Finance)  
Matthew Waterworth (Legal)  
Janet Neeve (HR)

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

**Background Papers**

None

**Annexes**

Annex A – Outline Business Case for the Shared Audit and Fraud Service

- Annex 1 (Structure Charts)
- Annex 2 (Financial and Performance Related Baseline Information) – Confidential
- Annex 3 (Detailed Options Assessment)
- Annex 4 (Financial Principles and Projections) – Confidential
- Annex 5 (Risk Register)



## Shared Audit & Fraud Service



## OUTLINE BUSINESS CASE

|                      |               |
|----------------------|---------------|
| <b>Prepared by</b>   | Project Board |
| <b>Reviewed by</b>   | Simon Wiles   |
| <b>Owned by</b>      | Liz Ackroyd   |
| <b>Version No</b>    | 4.2           |
| <b>Date of Issue</b> | 5/3/08        |



## Shared Audit & Fraud Service



### Outline Business Case

#### Contents

|  | <b>Paragraphs</b> |
|--|-------------------|
| <b>Executive Summary</b>   |                   |
| <b>Outline Business Case</b>                                     |                   |
| Purpose  | 1                 |
| Background   | 2 - 9             |
| Existing Service Arrangements                                    | 10 - 15           |
| Drivers for Change   | 16                |
| Benefits of Collaboration  | 17                |
| Vision and Objectives  | 18 – 19           |
| Links to Corporate Objectives and Priorities                     | 20                |
| Project Arrangements   | 21 - 22           |
| Options Appraisal  | 23 - 46           |
| Implementation   | 47 - 48           |
| Risk Register  | 49                |
| <b>Annexes</b>   |                   |
| Annex 1 – Structure charts                                       |                   |
| Annex 2 – Financial and Performance Related Baseline Information |                   |
| Annex 3 – Detailed Assessment of Options                         |                   |
| Annex 4 – Financial Principles and Projections                   |                   |
| Annex 5 – Risk Register  |                   |





## Shared Audit & Fraud Service



### Executive Summary

#### Background

Local authorities are being encouraged to challenge traditional methods of service delivery in order to reduce waste and improve outcomes. There is a recognition that to achieve such improvements, authorities need to work more closely together so as to optimise economies of scale and maximise service efficiencies.

The City of York Council and North Yorkshire County Council have expressed a common desire to explore the possibility of greater joint working, particularly in respect of back office finance and governance functions. Audit and fraud services were identified as suitable areas for early consideration.

In September 2007, Members of both Councils considered a strategic business case, setting out the potential benefits of collaboration. Members approved the development of a shared audit and fraud service between the two Councils, and agreed that a three phase strategic approach should be adopted as follows;

- Phase I – short term management arrangement and development of business options for the long term organisational structure of the service;
- Phase II – implementation of the agreed structure and benefits realisation;
- Phase III – review, evaluation and appraisal of other shared service opportunities.

#### Benefits of Joint Working

It was anticipated that the shared service would deliver a number of significant benefits for both Councils, including greater resilience and capacity, increased flexibility to respond to changing priorities, improved efficiency and economies of scale, reduced reliance on key members of staff for service continuity and greater opportunity to develop in-house specialist skills. Development of the shared service would also allow both Councils to demonstrate a positive response to the Government's efficiency and service transformation agenda, and provide a relatively discrete and low risk service area to fully assess the benefits of joint working.

#### Options Analysis

This Outline Business Case sets out the aims and objectives of the project to develop the shared audit and fraud service. Four options for the project have been evaluated, as follows:



## Shared Audit & Fraud Service



- Option 1 – abandon the process and revert back to the service arrangements which existed prior to 1 October 2007 (do nothing)
- Option 2 – abandon the current project but explore more limited collaboration between the two Councils (do the minimum);
- Option 3 – proceed with the project but change the scope and, or direction;
- Option 4 – proceed with the scope and direction of the project, as agreed by Members in September 2007.

Option 4 is recommended. This approach is considered the most likely to deliver the anticipated benefits. These benefits cannot easily be achieved by either Council continuing to operate in isolation. Option 1 can therefore be discounted. Whilst Option 2 can deliver some of the benefits of collaboration it will not achieve the necessary step change in service resilience or maximise the expected efficiencies. Option 2 can therefore also be discounted. At this stage there are considered to be no advantages in significantly changing the scope through the inclusion of additional services. Option 3 can therefore also be discounted.

Seven possible options (delivery vehicles) have been identified for the long term organisational structure of the shared service, as follows;

- Option A - Joint Working Arrangement  
Formal agreement between the two Councils to collaborate in service delivery. Staff would remain employed by their respective Councils. The agreement would provide an opportunity to share best practice and second staff between the Councils to meet peaks in workload or other demands.
- Option B - Contract to Supply Services  
Service provided by Council 'X' to the other under contract. Council 'Y' would need to undertake an EU compliant tender exercise to award the contract. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X'.
- Option C – Joint Committee  
Joint partnership agreement based on a Member Committee, which would be responsible for strategic decision making and policy setting. Operational decisions taken by service management. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X' (acting as nominal lead authority).



## Shared Audit & Fraud Service



- Option D – Function Delegated by Council ‘Y’ to Council ‘X’  
Function formally delegated by one Council to the other, with the service delivered in accordance with a service level agreement (SLA). Staff in Council ‘Y’ would be subject to a TUPE transfer to Council ‘X’.
- Option E – Company Limited by Shares or Guarantee  
Joint service outsourced to a company limited by shares or guarantee. The company would be wholly owned by the two Councils. Staff from both Councils would be subject to a TUPE transfer to the company.
- Option F – Joint Venture Vehicle  
Joint service outsourced to a company limited by shares (with ownership shared between the two Councils and a private sector partner). The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company.
- Option G – Fully Outsourced Service  
Service provided by private sector company. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company.

One of the key determinants in the assessment process was the degree to which each Council would be able to exercise control and influence over the services in the future. Both Councils also want to retain sufficient and continuing access to the services concerned. It was also considered essential that the chosen option would represent a genuinely equal partnership between the Councils. Options B and D required one or other Council to assume overall responsibility for operational management and decision making. In such circumstances it was considered unlikely that the partnership would be perceived as being equal. Options B and D were therefore discounted. Options F and G were similarly discounted because any private sector involvement would necessarily diminish the degree of control and influence each Council would have over the future direction of the service. The set up costs for options F and G were also likely to be high given the need to undertake a full EU compliant tender exercise and to establish client structures in both Councils.

The three preferred options were therefore:

- Option A – Joint Working Arrangement
- Option C – Joint Committee
- Option E – Company Limited by Shares or Guarantee



## Shared Audit & Fraud Service



These options were then subject to a more detailed assessment which showed that Option E would best serve the interests of the two Councils. This option offers the required long-term resilience and will achieve the expected efficiencies and economies of scale set out in the vision and objectives for the shared service. The company will be perceived as an equal partnership between the two Councils and will enable both Councils to exercise the same degree of control and influence over future direction and development of the service. It also offers an appropriate structure to enable other local authorities and public sector bodies in the region to join in the partnership in the future, if this is considered beneficial. Forming a company also represents a more innovative solution and is therefore most likely to inform the two Councils of the possible lessons from shared service working.



## Shared Audit & Fraud Service



### Outline Business Case

#### Purpose

- 1 The purpose of this Outline Business Case is to set out the aims and objectives of this transformation project. The document is also intended to provide a clear focus for determining the future shape and direction of the Shared Service, as well as the anticipated outputs and outcomes which this project is expected to deliver.

#### Background

- 2 The Government White Paper 'Strong and Prosperous Communities' encourages local authorities to challenge traditional methods of service delivery in order to reduce waste, identify efficiencies and improve outcomes for local people. A strong message in the White Paper was that one of the key means for local authorities to achieve such improvements would be through greater joint working to optimise economies of scale and maximise service efficiencies.
- 3 Officers from City of York Council (CYC) and North Yorkshire County Council (NYCC) commenced preliminary discussions in May 2007, to explore the potential benefits of collaboration and, in particular, the possibility of sharing certain back office finance and governance functions. These discussions showed that there was a mutual desire to identify suitable options for greater joint working and a clear commitment to deliver greater efficiencies across both authorities. Officers identified audit and fraud services as suitable areas for early consideration.
- 4 A strategic business case was prepared for the development of a shared service solution for the provision of audit and fraud services, setting out the main drivers for change and the potential benefits of collaboration. A number of models exist for shared service provision, ranging from informal partnership agreements through to fully outsourced service provision involving private sector partners. It was recognised that further work was required to understand the legal, financial and staffing implications of each model before any decisions could be made on the most appropriate way forward.
- 5 The strategic business case was presented to Members of both Councils in September 2007. Members of both Councils approved the development of a shared audit and fraud service and agreed that a three phase strategic approach should be adopted, as follows:



## Shared Audit & Fraud Service



- (a) Phase I – short term management arrangement and development of business options for the long term organisational structure of the service;
  - (b) Phase II – implementation of the agreed service vehicle and benefits realisation;
  - (c) Phase III – review, evaluation and appraisal of other shared service opportunities.
- 6 Both Councils committed to the successful achievement of a long-term shared audit and fraud service, which would add value and deliver benefits to both organisations, on an equal basis. In developing the appropriate long term organisational structure, account would be taken of the respective values of both organisations.
- 7 The objective was to treat this as a pilot exercise so as to enable the benefits of such an approach to be properly assessed in a discrete, low risk service area for both authorities. This would provide the opportunity for both authorities to evaluate the benefits of sharing back office functions before considering more high profile transactional and/or public facing services. The experience gained would help inform future collaboration in other service areas.
- 8 Members approved the creation of a Project Board to coordinate the development and implementation stages of the project. The Project Board comprised the AD Resources (ARM) – CYC, the AD (Central Finance) – NYCC and the Audit and Fraud Manager – CYC.
- 9 The nature and scope of the shared management arrangements were agreed and set out in the Interim Management – Terms of Reference. These arrangements commenced on 1 October 2007, with the Audit and Fraud Manager - CYC assuming overall management responsibility for the combined team. This provided management economies of scale whilst at the same time providing clear leadership and focus through the period of change. The two teams continued to operate from their existing office locations and staff retained their existing terms and conditions. Staff could however be deployed to work for either Council as necessary, although it was recognised that any such changes would be limited in the short term.

### Existing Service Arrangements

- 10 All local authorities have a statutory requirement to make provision for internal audit in accordance with proper standards of professional practice, as set out in the CIPFA Code of Practice for Internal Audit in Local Government. Internal Audit is defined as an assurance function



## Shared Audit & Fraud Service



that provides an independent and objective opinion to the organisation on the effectiveness of the control environment.

- 11 At CYC, the Internal Audit and Fraud teams are co-aligned within the Audit and Risk Management division. The combined teams have 16.5 full time equivalent staff. The teams are managed by the Audit and Fraud Manager. At NYCC, the Internal Audit Service forms part of the Central Finance Service Unit. The team has 21.12 full time equivalent staff. Copies of the structure charts for the two Council's audit and fraud services are given in **Annex 1**.
  
- 12 The principal functions of the audit and fraud services at both Councils are broadly similar, and include;
  - (a) providing assurance to Members, Chief Officers, other key stakeholders and the wider community on the effectiveness of the governance arrangements and internal controls at each Council;
  - (b) providing advice and making recommendations to improve controls and/or address the poor or inappropriate use of each Council's resources;
  - (c) examining and evaluating the probity, legality and value for money of each Council's activities;
  - (d) acting as a visible deterrent against all fraudulent activity, corruption and other wrong doing;
  - (e) responding to and investigating any instances of suspected fraud or corruption.
  
- 13 However, in addition to these core functions,
  - (a) the Internal Audit Team at CYC is responsible for delivering a programme of value for money reviews and the Fraud Team is responsible for investigating all benefit related fraud, together with undertaking any financial investigations that may arise as a consequence.
  - (b) the Internal Audit Service at NYCC has responsibility for all data management and information governance matters.

The development of a shared service therefore offers the opportunity to bring together related and complimentary professional disciplines across both Councils.

- 14 The audit and fraud services in both Councils deliver cost efficient services that are valued by management and other stakeholders. Both



## Shared Audit & Fraud Service



teams operate to the same professional standards and follow similar working practices and procedures. Both audit teams also use the same IT application and provide services to a number of external customers. However, the services at both Councils face increasing challenges in the short to medium term. The scope of audit and fraud work is changing to reflect the increased importance local authorities place on developing and maintaining sound corporate governance arrangements. At the same time pressures on growing on the availability of resources. As a consequence, there is pressure on audit coverage, difficulties in responding to peaks in workload and problems with covering staff vacancies. Both authorities also experience difficulties with recruiting and retaining the necessary skilled and qualified staff.

- 15 Details of current financial and performance related data for the existing services are given in **Annex 2**.

### Drivers for Change

- 16 The drivers for change both national and local facing the two Councils are:
- (a) The transformational policy agenda. The Department for Communities and Local Government White Paper 'Strong and Prosperous Communities' is encouraging authorities to work collaboratively together, and with other public sector bodies to deliver efficiencies and value for money;
  - (b) Comprehensive Performance Assessment (CPA). Joint commissioning and shared services are key determinants in the Use of Resources – Key Lines of Enquiry assessment. The Audit Commission is currently consulting on the approach to be followed for the Comprehensive Area Assessment (CAA), but have already indicated that greater emphasis will be placed on organisational effectiveness, partnering, increased efficiency, and joint commissioning;
  - (c) Local Government Reorganisation. Whilst North Yorkshire County Council's proposed bid for unitary status was not successful there remains a strong expectation from government that authorities in and around North Yorkshire will in future work more collaboratively;
  - (d) The need to build service resilience and capacity across both authorities to maintain an effective and professional audit and fraud function, in the face of problems in covering key staff vacancies and difficulties in being able to respond to changing priorities and increasing workload demands;





## Shared Audit & Fraud Service



- (e) The need to retain skilled and experienced staff by creating greater critical mass and providing more opportunities for career development and specialism;
- (f) The need to make best use of the scarce professional audit expertise available (particularly in contract and IT audit), given that both authorities encounter difficulties in building sufficient capacity in-house, so as to avoid the reliance on expensive external providers;
- (g) The need to further enhance the professional standards of the audit and fraud services in both Councils so as to maintain and develop the effectiveness of the function and comply with legislative and regulatory requirements;
- (h) The need for both Councils to develop proper arrangements for succession planning and reduce the existing reliance on certain key staff for service continuity.

### **Benefits of Collaboration**

17 The key benefits of collaboration are:

- (a) Providing greater resilience and capacity. The combined team would be better placed to manage resource pressures, including staff vacancies and/or unexpected service demands;
- (b) Providing greater flexibility to respond to changing priorities, initiatives and/or new working methods;
- (c) Delivering efficiencies through sharing best practice, integrating processes and reducing duplication of effort;
- (d) Demonstrating a positive response to the government's efficiency and service transformation agenda;
- (e) Achieving economies of scale by sharing overheads and reducing unproductive time whilst maintaining or improving current levels of performance;
- (f) Enhancing the focus on service delivery, professionalism and quality such that the combined service is seen as a 'beacon of excellence';
- (g) Increasing the opportunities for staff to specialise and enhancing career opportunities, resulting in greater staff satisfaction and retention;



## Shared Audit & Fraud Service



- (h) Providing greater opportunity to develop audit specialisms and reduce the reliance on bought-in services;
- (i) Providing a robust shared service model which offers greater opportunity for future collaboration with other Councils in the region, particularly the North Yorkshire districts, and which helps to develop the existing market place;
- (j) Improved succession planning arrangements and a reduced reliance on key members of staff for service continuity;
- (k) The ability of both Councils to develop common approaches to new and developing initiatives (for example, Corporate Area Assessments and joint Private Finance Initiative projects).

### **The Vision and Objectives of the Shared Service Solution**

#### **Vision**

- 18 To deliver a shared service solution which provides an efficient, effective and professional audit, information governance and fraud service which is both responsive to the needs of the two Councils and which is held in high esteem by all stakeholders.

#### **Objectives**

- 19 The project aims to provide a shared service solution which supports this vision by focusing on a series of identifiable and measurable objectives. The Project Board has identified the following objectives for the future shared service.

To provide a service:

- (a) in which both Councils have an equal share in terms of control, direction and influence;
- (b) which has a clear identity and stated purpose;
- (c) which is affordable and which represents value for money;
- (d) which can provide continuity of service to both Councils in the long term, irrespective of short-term pressures and issues;
- (e) which enhances the professionalism and quality of audit and fraud related services provided to the two Councils through shared knowledge and best practice;



## Shared Audit & Fraud Service



- (f) which shows leadership in the development and maintenance of a robust control framework in each Council as an essential element of each Council's governance arrangements;
- (g) which helps to maintain or improve the CPA Use of Resources score for both Councils;
- (h) which increases the operational capacity and resilience of the service so that it can more easily respond to resource pressures, including staff vacancies and/or unexpected service demands;
- (i) which is flexible and can respond promptly to changing service requirements and priorities;
- (j) which extends access to specialist audit and fraud services and other related disciplines to both Councils;
- (k) which reduces the need to use expensive agency staff and/or to buy-in specialist audit and fraud related services;
- (l) which delivers efficiencies and economies of scale which can then be reinvested in improved service delivery;
- (m) which improves investment in staff training and development;
- (n) which improves the opportunities for career progression for staff within the service;
- (o) which improves the recruitment and retention of professional staff within the service;
- (p) offers protection for existing staff pension arrangements;
- (q) which reduces the existing reliance on key members of staff for the continuity of the service;
- (r) which provides improved succession planning arrangements;
- (s) which continues to provide the opportunity for trainee staff from both Councils to gain relevant experience in audit and fraud related disciplines;
- (t) which generates income from selling audit and fraud related services to other public, voluntary and third sector bodies;



## Shared Audit & Fraud Service



- (u) which can be expanded to provide additional professional support services to both Councils in the medium to long term, if required;
- (v) whose membership can change in the medium to long term to accept new partner bodies, including those in other public service areas (for example, housing and the NHS);
- (w) which provides an opportunity for both Councils to gain experience in sharing back office functions before considering more high profile transactional and/or public facing services.

### Links to Corporate Objectives and Priorities

- 20 The objectives of the shared service solution, as set out in paragraph 19 above, link closely to a number of specific Objectives and Priorities in each Council's Corporate Plans.

#### North Yorkshire County Council

- To continue to strengthen our partnership working;
- To continue to improve the efficiency and effectiveness of our business processes – by maximising the use of appropriate technology and increasing the efficiency of our back office functions (through, for example, engaging with partners to seek to maximise the use of shared services and premises).

#### City of York Council

##### Direction Statements

- We want services to be provided by whoever can best meet the needs of our customers
- We will be an outward looking council, working across boundaries to benefit the people of York

##### Values

- Delivering what our customers want
- Providing strong leadership
- Supporting and developing people



## Shared Audit & Fraud Service



- Encouraging improvement in everything we do

### Project Arrangements

#### Project Board Responsibilities

- 21 The Project Board has responsibility for;
- developing proposals and options for the delivery of the long term shared service (the outline business case);
  - developing a detailed business case and implementation plan for the preferred option;
  - developing a change management programme to support the implementation process;
  - overseeing the management and direction of the interim management arrangement, prior to the development of formal governance and reporting arrangements.
- 22 Finance, Legal and HR representatives have provided professional advice to the Board as required, to assist with the development and implementation of the appropriate delivery vehicle. External consultancy advice has also been provided by 4ps.

#### Options Appraisal

- 23 At this stage of the process a number of options exist in respect of the future scope, scale and direction of the project. These options have been evaluated by the Project Board. The relevant staff groups at both Councils, together with local and regional representatives from Unison have also been consulted on these options.

#### Project Options

- 24 **Option 1 (do nothing).** To abandon the current process of collaboration between the two Councils and revert to the service delivery arrangements which previously existed prior to 1 October 2007.
- 25 **Option 2 (do the minimum).** To abandon the current project to develop a long term shared service solution for the provision of audit and fraud services but explore limited collaboration where appropriate.
- 26 **Option 3 (to proceed but change the scope/direction of the project).** To change the scope and/or direction of the current process for developing a shared service solution between the two Councils by, for



## Shared Audit & Fraud Service



example, bringing in additional partners or changing the scope of services to be included.

- 27 **Option 4 (to proceed with the previously agreed scope/direction of the project).** To continue with the existing process to develop a long term shared service solution for the delivery of audit and fraud services, as set out to Members in September 2007.
- 28 **Option 4 is recommended.** Members at both Councils have approved in principle the decision to develop a long term shared service for the provision of audit and fraud services. This approach is considered the most likely to deliver the significant benefits set out in paragraph 17 above. These benefits cannot easily be achieved by either Council continuing to operate in isolation. The problems caused by lack of capacity and resilience would not be addressed and the resource pressures on both Councils would only continue if changes to the existing service provision were not made. Option 1 can therefore be discounted. Whilst Option 2 can deliver some of the benefits of collaboration it will not achieve the necessary step change in service resilience or maximise the expected efficiencies. This option can therefore also be discounted.
- 29 Work has been undertaken to identify a further potential partners, although it is recognised that having more than three in total could make the shared service unwieldy and significantly increase the risk that the project fails to deliver the anticipated outcomes. The existing interim joint working arrangements have confirmed the significant level of trust between the two Councils and the shared commitment to make the project a success. This period of joint working has also confirmed that the potential efficiencies are achievable, for example, through improved resource allocation, the standardisation of IT applications and the sharing of best practice.
- 30 In terms of audit and fraud related services there is considered to be a close strategic fit between NYCC and CYC. The Councils provide many of the same services – including education, social care, highways, libraries and trading standards, and therefore the skills and knowledge are easily transferable. The main Council offices are geographically close and other partnership arrangements already exist or are being developed between the two Councils.
- 31 Discussions have taken place with other neighbouring local authorities to explore the possibility of wider collaboration in respect of audit and fraud related services. These discussions have confirmed that there is a desire to develop opportunities for joint working in the future, including the possibility of sharing services in the medium to long term. However,



## Shared Audit & Fraud Service



it is not felt appropriate at this time to extend the scope of the project to include any of the neighbouring Councils. Three of the seven North Yorkshire District/Borough Councils are members of the North Yorkshire Audit Partnership (NYAP). Following the outcome of North Yorkshire County Council's failed bid for unitary status, two of the remaining District Councils are joining join NYAP as from 1 April 2008. The two remaining District/Borough Councils in North Yorkshire wish to retain their existing arrangements for audit provision in the short term. Durham County Council is subject to local government reorganisation, and the other neighbouring unitary councils do not offer the same degree of strategic and geographical fit. Stockton and Darlington Borough Councils are currently involved in developing a large scale shared service for corporate support services (finance, HR and IT). East Riding of Yorkshire and Middlesbrough Councils both have long term private sector strategic partners involved in the delivery of support services.

- 32 Discussions have also taken place with the NHS North Yorkshire Audit Service (NYAS) to explore the possibility of future joint working. NYAS is based at York District Hospital but provides audit services to York and Harrogate Hospital Trusts and the North Yorkshire and York PCT. There is therefore a close geographical fit between NYAS and the two Councils. Greater partnership working between local authorities and the NHS in the delivery of services to the public, and the introduction of Comprehensive Area Assessments from 2008/09 provides an opportunity to extend the provision internal audit across traditional boundaries. However, whilst there is a strong desire on both sides to investigate the opportunities for joint working, including the possible co-location of offices, sharing of staff and the development of integrated training programmes, it is not felt appropriate to consider changing the scope of the project at this stage to include NYAS due to the likely effect such an integration would have on the project timescales. The development of joint working opportunities between the shared service partnership and NYAS will however be a priority in the medium term.
- 33 Further work has been undertaken to confirm the services currently delivered by each Council, to be included in the scope of the shared service project. At this stage there are considered to be no advantages in significantly changing the scope through the inclusion of additional services. Option 3 can therefore be discounted. However, there would be a number of advantages if the provision of data management services at CYC was included in the scope. Such a change would provide more consistency in terms of the services delivered to both Councils and would offer all the benefits of greater capacity and resilience in this area.

### **Delivery Options**



## Shared Audit & Fraud Service



- 34 Seven possible options (delivery vehicles) were identified for the long term organisational structure of the shared service, as follows;
- 35 Option A - Joint Working Arrangement  
 Formal agreement between the two Councils to collaborate in service delivery. Officer based decision making structure (primarily limited to operational issues). Staff would remain employed by their respective Councils. The agreement would provide an opportunity to share best practice and second staff between the Councils to meet peaks in workload or other demands.
- 36 Option B - Contract to Supply Services  
 Service provided by Council 'X' to the other under contract. Services delivered and managed within the decision-making framework of Council 'X'. Council 'Y' would need to undertake an EU compliant tender exercise to award the contract. It would also require a 'client' structure to monitor the delivery of the contract. Council 'X' would own assets and enter into contracts. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X'.
- 37 Option C – Joint Committee  
 Joint partnership agreement based on a Member Committee, which would be responsible for strategic decision making and policy setting. Operational decisions taken by joint management structure. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X' (acting as nominal lead authority). Council 'X' would also own all assets and enter into contracts.
- 38 Option D – Function Delegated by Council 'Y' to Council 'X'  
 Function formally delegated by one Council to the other, with the service delivered in accordance with a service level agreement (SLA). Council 'X' (acting as nominal lead authority) would be responsible for strategic decision making and policy setting, but with possible oversight by Member/officer Partnership Board. Council 'X' responsible for operational management. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X'. Council 'X' would also own all assets and enter into contracts.
- 39 Option E – Company Limited by Shares or Guarantee  
 Joint service outsourced to a company limited by shares or guarantee. The company would be wholly owned by the two Councils, with a board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Company able to own assets, enter into contracts and employ staff in its





## Shared Audit & Fraud Service



own right. Staff from both Councils would be subject to a TUPE transfer to the company. Councils would be able to receive dividends.

40 Option F – Joint Venture Vehicle

Joint service outsourced to a company limited by shares (with ownership shared between the two Councils and a private sector partner). Board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Opportunities exist for external investment in the service. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company. Company able to own assets, enter into contracts and employ staff in its own right.

41 Option G – Fully Outsourced Service

Service provided by private sector company. Board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Opportunities exist for external investment in the service. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company. Company able to own assets, enter into contracts and employ staff in its own right.

### Detailed Options Analysis

- 42 The Project Board assessed each of the possible 'delivery vehicles' against a series of agreed key criteria linked to the vision and objectives of the shared service (as set out in paragraphs 18 and 19 above). The results of this analysis are given below, in Table 1.

Table 1 – Options Analysis

| <b>Criteria</b>   | <b>Options (delivery vehicles)</b> |          |          |          |          |          |          |
|---|------------------------------------|----------|----------|----------|----------|----------|----------|
|   | <b>A</b>                           | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> |
| <b>OWNERSHIP AND VISION</b>   |                                    |          |          |          |          |          |          |
| Will this option be able to deliver the vision for the shared service and are there clear links to both Council's Corporate Objectives? |                                    |          | ✓        |          | ✓        | ✓        | ✓        |
| Will the service be perceived as a genuine equal 'partnership' between the two Councils?  | ✓                                  |          |          |          | ✓        |          |          |



| <i>Criteria</i>   | <i>Options (delivery vehicles)</i> |          |          |          |          |          |          |
|---|------------------------------------|----------|----------|----------|----------|----------|----------|
|   | <i>A</i>                           | <i>B</i> | <i>C</i> | <i>D</i> | <i>E</i> | <i>F</i> | <i>G</i> |
| in key personnel?   |                                    |          |          |          |          |          |          |
| Is this option likely to deliver the required improvements in operational capacity?                                     |                                    |          | ✓        |          | ✓        | ✓        | ✓        |
| Is this option likely to achieve the required focus on quality and enhance the professionalism of the service?          |                                    |          | ✓        |          | ✓        | ✓        | ✓        |
| <b>FINANCIAL / BUSINESS OPPORTUNITIES</b>   |                                    |          |          |          |          |          |          |
| Does this option allow external income to be generated by selling services to other public sector bodies?               |                                    | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        |
| Does this option offer the capability and capacity to identify and develop other business opportunities?                |                                    |          |          |          | ✓        | ✓        | ✓        |
| <b>LEGAL CONSIDERATIONS</b>   |                                    |          |          |          |          |          |          |
| Do both Councils have the legal powers to implement the proposed option?  | ✓                                  | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        |
| Does this option avoid the need to undertake a EU compliant tender exercise?  | ✓                                  |          | ✓        | ✓        | ✓        |          |          |
| <b>RISKS</b>  |                                    |          |          |          |          |          |          |
| Are the financial risks associated with this option considered to be acceptable to both Councils?                       | ✓                                  | ✓        | ✓        | ✓        | ✓        |          |          |
| Are the risks to future service delivery associated with this option considered to be acceptable to both Councils?      | ✓                                  |          | ✓        |          | ✓        |          |          |
| Does each Council have an equal share of risk and reward?   | ✓                                  |          | ✓        |          | ✓        |          |          |
| <b>INNOVATION / SERVICE TRANSFORMATION</b>  |                                    |          |          |          |          |          |          |
| Is this option innovative and does it offer the opportunity to address the government's transformational policy agenda? |                                    |          | ✓        |          | ✓        | ✓        | ✓        |



## Shared Audit & Fraud Service



| <i>Criteria</i>   | <i>Options (delivery vehicles)</i> |          |           |           |           |           |           |
|---|------------------------------------|----------|-----------|-----------|-----------|-----------|-----------|
|   | <i>A</i>                           | <i>B</i> | <i>C</i>  | <i>D</i>  | <i>E</i>  | <i>F</i>  | <i>G</i>  |
| Is this option suitable for helping to develop new methods of partnership working and service delivery in the future? |                                    |          | ✓         |           | ✓         | ✓         | ✓         |
| Can this option allow the service to be expanded to provide other back office functions to both Councils?             | ✓                                  |          | ✓         |           | ✓         | ✓         | ✓         |
| Would this option be attractive to other potential partners in the future?  | ✓                                  |          | ✓         |           | ✓         | ✓         | ✓         |
| Unweighted Totals   | <b>15</b>                          | <b>9</b> | <b>22</b> | <b>10</b> | <b>25</b> | <b>13</b> | <b>13</b> |

- 43 The initial assessment identified three preferred options, as follows:
- Option A – Joint Working Arrangement
  - Option C – Joint Committee
  - Option E – Company Limited by Shares or Guarantee
- 44 One of the key determinants in the assessment process was the degree to which each Council would be able to exercise control and influence over the services in the future. Both Councils also wished to retain sufficient and continuing access to the services concerned. It was also considered essential that the chosen option would represent a genuinely equal partnership between the Councils. Options B and D required one or other Council to assume overall responsibility for operational management and decision making. In such circumstances it was considered unlikely that the partnership would be perceived as being equal. Options B and D were therefore discounted. Options F and G were similarly discounted because any private sector involvement would necessarily diminish the degree of control and influence each Council would have over the future direction of the service. The set up costs for options F and G were also likely to be high given the need to undertake a full EU compliant tender exercise and to establish client structures in both Councils.
- 45 The three preferred options were then subject to more detailed assessment. The detailed assessments are attached as **Annex 3**.
- 46 Option E (Company Limited by Shares or Guarantee) is recommended. This option offers the required long-term resilience and will achieve the



## Shared Audit & Fraud Service



expected efficiencies and economies of scale set out in the vision and objectives for the shared service. The company will be an equal partnership between the two Councils and will enable both Councils to exercise the same degree of control and influence over future direction and development of the service. It also offers an appropriate structure to enable other local authorities and public sector bodies in the region to join the partnership in the future. Forming a company also represents a more innovative solution and is therefore more likely to inform both Councils of the possible lessons from shared service working.

### Implementation

- 47 Subject to Member approval at both Councils it is proposed to follow the following timetable to implement the chosen solution;

| Action   | Date                      |
|--|---------------------------|
| Prepare detailed Project Implementation Plan – which would include the following elements; <ul style="list-style-type: none"> <li>• Company formation</li> <li>• Governance arrangements</li> <li>• Client roles and reporting arrangements</li> <li>• Contract preparation</li> <li>• Charging arrangements</li> <li>• Cost allocation</li> <li>• Staffing</li> <li>• Accommodation, IT and support services</li> </ul> | April - August 2008       |
| Prepare Change Management Programme  | June - August 2008        |
| Implement agreed structure, subject to final Member approval.  | September - December 2008 |
| Target go-live date  | 1 April 2009              |

- 48 The Project Implementation Plan will be developed in accordance with Financial Principles and Projections set out in **Annex 4**.

### Risk Register

- 49 A detailed risk register has been prepared to manage the risks associated with the project and the implementation of the chosen option.



## Shared Audit & Fraud Service



Details of the identified risks, together with the actions which are being taken to address these risks, are given in **Annex 5**.

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service**

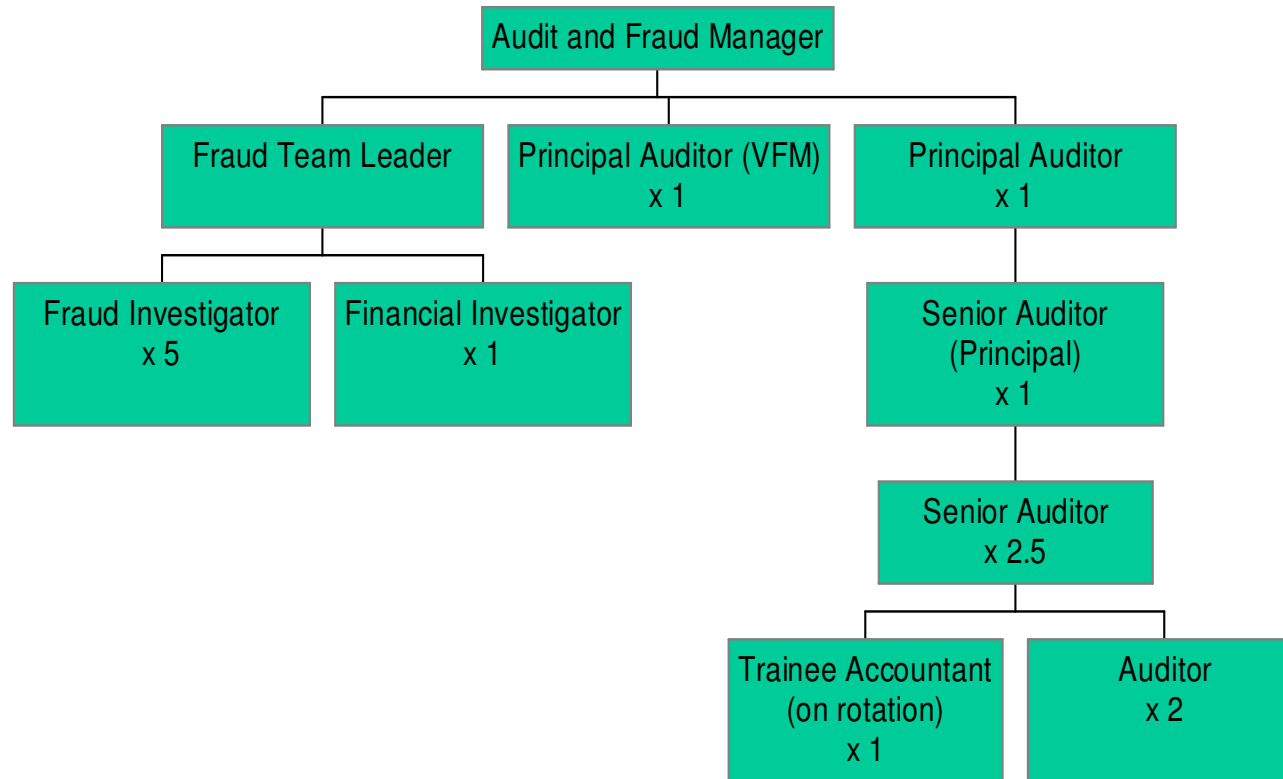
**Outline Business Case**

**Structure Charts**

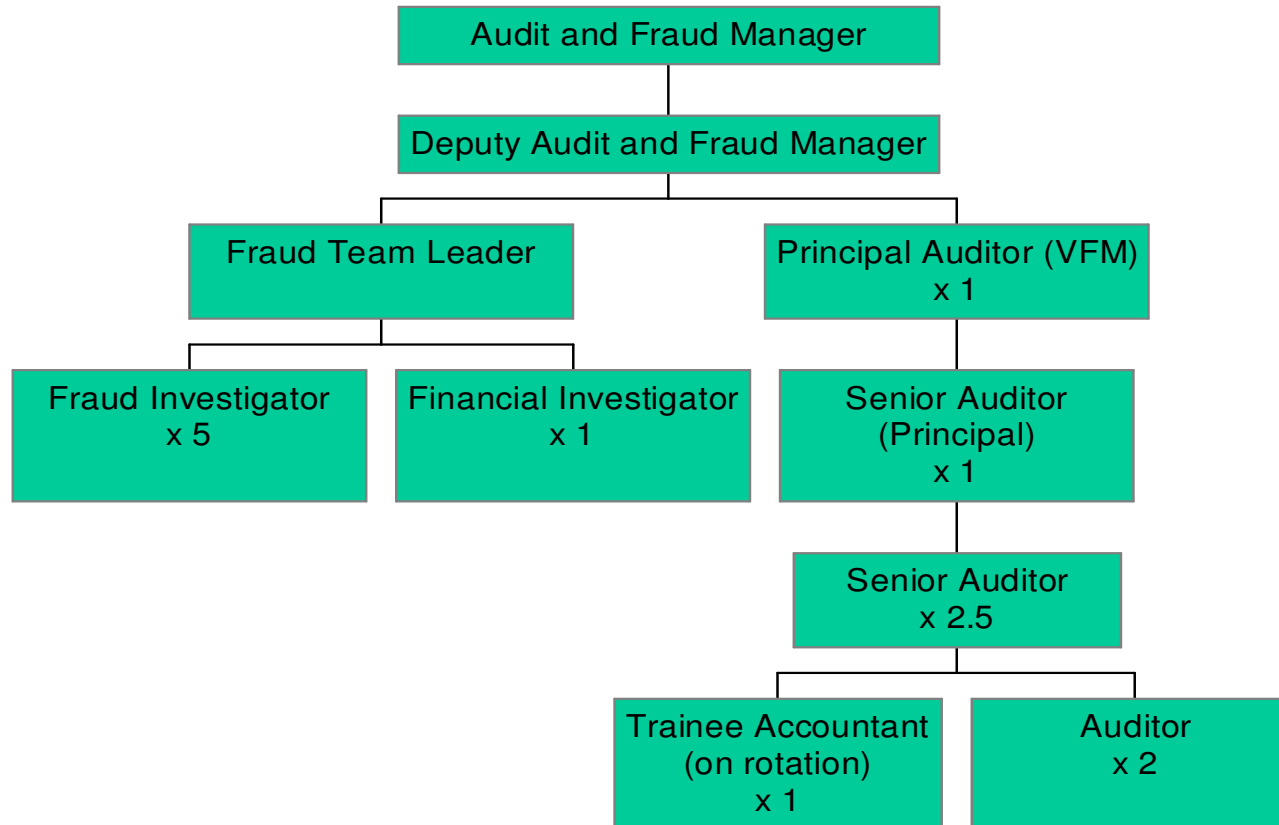
This page is intentionally left blank



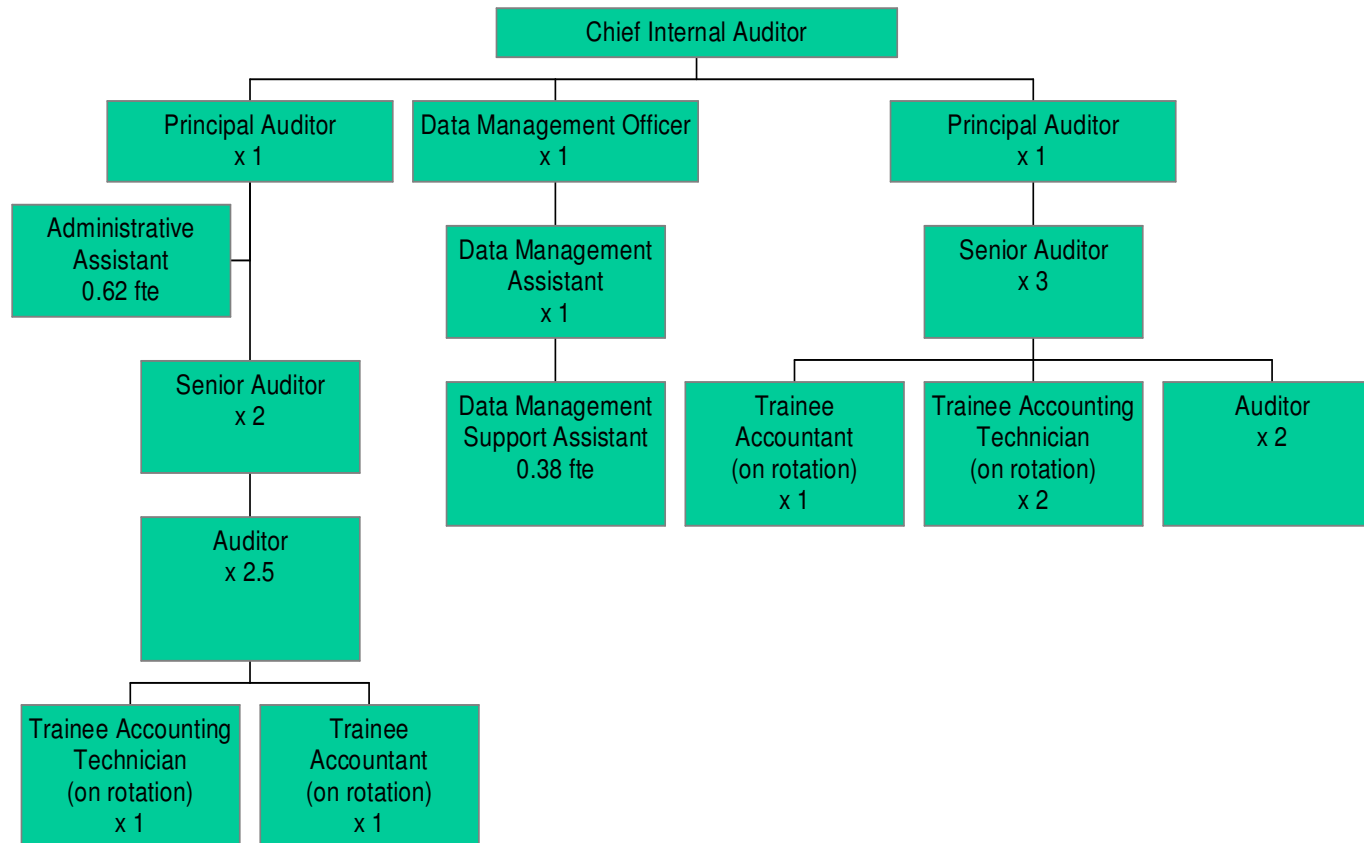
City of York Council  
Internal Audit and Fraud  
(Pre 1 October 2007) – 16.5fte



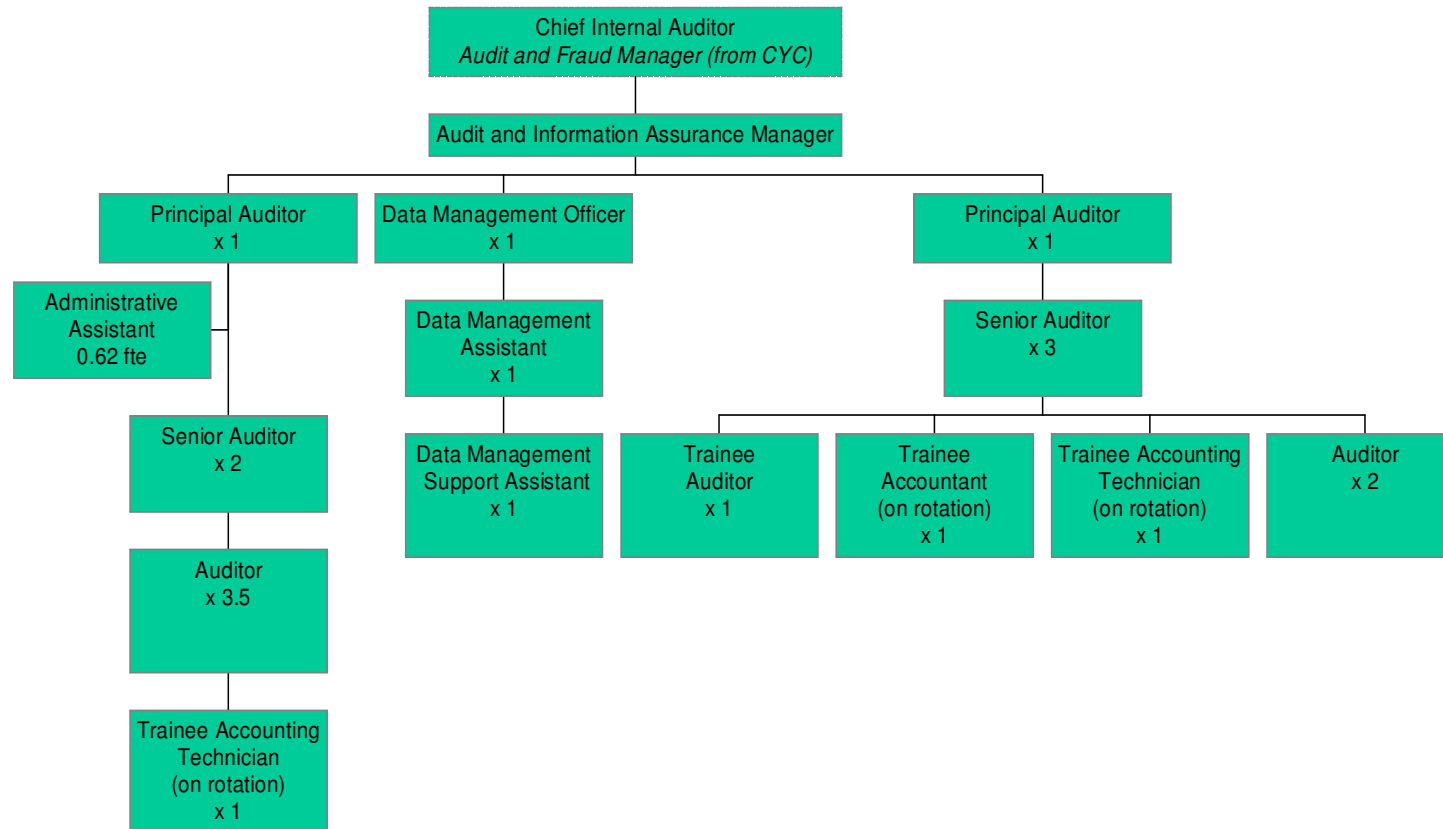
City of York Council  
Internal Audit and Fraud  
(Post 1 October 2007) – 16.5fte



North Yorkshire County Council  
Internal Audit Service  
(Pre 1 October 2007) – 20.5fte



# North Yorkshire County Council Internal Audit Service (Post 1 October 2007) – 21.12fte



By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

## Detailed Assessment

### Option A – Joint Working Arrangement

#### Description and Overview

A continuation of the existing shared management arrangement but with a formal agreement between the two Councils. The agreement would set out the parameters for future collaboration in service delivery. Decision making would primarily be limited to operational issues. Staff would remain employed by their respective Councils and operate from their existing office bases. The agreement would provide an opportunity to share best practice and second staff between the Councils to meet peaks in workload or other demands.

#### Financial Implications

NYCC would continue to pay CYC an amount equivalent to 50% of the cost of the Audit and Fraud Manager's post. Other work undertaken between the two Councils would be charged at agreed day rates. CYC would use the funding provided by NYCC to pay for additional management support and backfill.

CYC would provide access to NYCC staff to enable them to use the existing IT application (Galileo.net). The initial set up / configuration costs of £10.4k are covered by a grant provided by the Regional Centre of Excellence. The cost of ongoing access charges and licence fees would be mostly offset by savings achieved through NYCC ceasing to use its own IT application. The additional costs of £1.3k pa would be met from existing budgets.

There would be no additional tax liabilities or changes in VAT arrangements.

#### Staffing Implications

Staff would be employed by their existing Councils, and remain on their current terms and conditions. There would be opportunities to lend or second staff between Councils to meet peaks in workload subject to agreement. Any such secondment would require the agreement of the member of staff concerned. The partnership could not employ staff in its own right for example, in the event that services were to be provided to new external customers.

There are potential issues for the management and direction of NYCC staff by the CYC Audit and Fraud Manager. There would also be potential issues with cross boundary working.

#### Legal Implications

There are no significant legal implications. Both Councils have the necessary powers under the Local Government Act 1970, Local Government Act 1972 and the Local Government Act 2000 to enter into such an agreement.

The partnership would not be a legal entity in its own right. Each Council would need maintain its own contracts for the supply of goods and services. Similarly, any contracts to supply audit and fraud services to external customers would need to be in the name of one or other Council.

### **Governance Arrangements**

The agreement would be time limited and there would be break clauses to enable the agreement to be terminated early. The agreement could also be varied to enable the scope of services to be changed in the future. The existing client arrangements operated by the two Councils would continue.

### **Service and Capacity Improvement**

This option is the least likely to deliver the necessary step change in service delivery. Whilst there would be opportunities to share expertise and best practice, this arrangement is considered unlikely to fully exploit all the potential service efficiencies and capacity improvements on offer. Any efficiency gains that did occur would also not be easily identifiable.

### **Innovation and Service Transformation**

The agreement could be extended to include other local authorities. However, it would be unsuitable for other types of public sector body wishing to collaborate in the future.

### **Financial and Business Opportunities**

There would be no ability for the 'partnership' to sell services to other public bodies and, or other voluntary or charitable bodies in its own right.

### **Organisational Impact**

Although the service would be perceived as an equal partnership it would not have its own identity. Internal customers and stakeholders in both Council's are therefore unlikely to notice any significant changes in the service currently being provided. Staff within the services concerned are also less likely to recognise the fact that they are part of a partnership.

### **Resilience and Sustainability**

This arrangement does not offer a sufficiently sound basis to develop the shared service in the future. There is a risk that the partnership would fail in the event that there was any dispute between the two Councils and / or certain key staff left.

### **Key Advantages**

Set up costs low.

### **Key Disadvantages**

Service will not have its own identity. Customers and staff are therefore



|  |  |
|--|--|
| <p>No significant change in ongoing operational costs, for either Council.</p> <p>Relatively straightforward to operate if the existing membership stays unchanged.</p> <p>Low risk – both Councils could easily revert to the arrangements operating prior to 1 October 2007.</p> <p>May achieve some of the expected economies of scale.</p> <p>Will be perceived as an equal partnership, with both Councils having the same degree of influence over how the service is developed.</p> | <p>less likely to perceive any change.</p> <p>Management less likely to be able to address any cultural differences between the two staff groups.</p> <p>The partnership could not easily market services to potential customers in its own right. Any existing or future contracts would need to be with one or other Council.</p> <p>Arrangement lacks resilience and is more likely to be placed at risk as a result of disputes or changes in key personnel.</p> <p>Offers significantly less opportunity for service improvement and development.</p> <p>Would be unsuitable as a basis for extending partnership working to other local authorities and/or public sector bodies.</p> <p>May not be suitable for extending the scope of services to be delivered in the future.</p> <p>Is not sufficiently innovative and is therefore unlikely to inform either Council of the possible lessons from shared service working.</p> |
|--|--|

This page is intentionally left blank

## Detailed Assessment

### Option C – Joint Committee

#### Description and Overview

The two Councils enter into a formal arrangement to establish a joint committee. The joint committee would comprise an agreed number of Members from each Council, and would be responsible for strategic decision making and policy setting. Operational decisions would be taken by the management of the shared service. One of the Councils would need to act as the nominal lead authority. Staff in the other Council would transfer to the lead authority under TUPE. The lead authority would be responsible for the provision of support services (HR, legal, finance and IT) as well as the procurement of goods and services. The lead authority would need to enter into service level agreements with the other Council to use premises and equipment. As the joint committee would not be a legal entity in its own right then any contracts to supply audit and fraud services to external customers would need to be in the name of the lead authority.

#### Financial Implications

##### Set up costs

There will be some legal costs arising from the need to obtain advice on the transfer of staff to the lead authority. There may also be some legal costs associated with setting up the joint committee and preparing a constitution and regulatory framework. It is expected that the majority of this work would be undertaken in-house. The cost of external legal fees is therefore estimated to be £4k.

All staff in the partnership would use the existing IT application hosted by CYC (Galileo.net). The initial set up and configuration costs of £10.4k are covered by a grant provided by the Regional Centre of Excellence.

No other significant set up costs would be incurred.

##### Ongoing costs

The lead authority would be responsible for the payment of salaries, and goods and services on behalf of the partnership. The lead authority would also be responsible for accounting for VAT and other taxes. There would be no additional tax liabilities although there would be a small increase in the employer pension contribution rate for CYC staff if NYCC was chosen as the lead authority. The lead authority would provide all support services unless there was a specific agreement with the other Council.

The partnership would need to recharge the two Councils for audit and fraud services provided. The charging mechanism would be set up in accordance with the financial principles set out in Annex 4. The overall cost of the service provided would however be cost neutral to the two Councils.

The additional cost of IT access charges and licence fees would be mostly offset by savings achieved through NYCC ceasing to use its own IT application. The estimated net increase in IT related costs of £1.3k pa would be met from existing budgets.

The joint committee would be a separate public body and would therefore need to prepare its own accounts. The accounts would be subject to external audit by the Audit Commission. It would also need its own internal audit. Additional audit and accountancy fees of approximately £5k pa would be incurred as a result.

There may also be some additional costs incurred as a result of administering meetings of the joint committee. These costs are estimated to be approximately £1k pa.

### **Staffing Implications**

Staff would be employed by the lead authority. The staff in the other Council would be transferred to the lead authority under TUPE, and would remain on their current terms and conditions. The lead authority would be responsible for all disciplinary matters, training and staff development. Trainees could be seconded to the lead authority from the other Council. Any such secondment would require the agreement of the member of staff concerned.

Staff would remain members of the NY Pension Fund. New employees would also be entitled to join the NY Pension Fund.

### **Legal Implications**

There are no significant legal implications. Both Councils have the necessary powers under the Local Government Act 1970, Local Government Act 1972 and the Local Government Act 2000 to enter into such an agreement.

Although the joint committee would not be a legal entity, it would be a public body in its own right. As a result it would need to adopt its own constitution and standing orders. It would also need to prepare annual accounts and submit a "smaller bodies in England" annual return to the Audit Commission. The accounts would be subject to audit by external auditors appointed by the Audit Commission.

The service would be provided to both Councils in accordance with a contract. The contract would be prepared in accordance with the principles set out in Annex 5.

### **Governance Arrangements**

Strategic and policy decisions would be taken by a joint committee, which would probably meet at least quarterly. The formation and operation of the committee would follow existing local government rules.

### **Service and Capacity Improvement**

This option would provide both Councils with an audit and fraud service which benefited from greater resilience and capacity. The shared service could also deliver the expected efficiencies and economies of scale, achieved through sharing best practice, improved resource allocation and the integration of systems and processes.

### **Innovation and Service Transformation**

Whilst this model could be extended in the future to include other local authorities, its membership could not be expanded to include other public sector bodies such as the NHS and housing associations. This option may also inhibit innovation and more radical change due to existing local government conventions.

### **Financial and Business Opportunities**

The partnership could offer services to other public bodies. However, any contracts for the supply of services would be with the lead authority.

### **Organisational Impact**

This would not be perceived as an equal partnership since one of the Councils would need to act as the lead authority. The partnership would also find it difficult to develop its own identity and image. Staff may associate themselves more with the lead authority than with the partnership.

### **Resilience and Sustainability**

This option would offer sufficient long-term resilience.

### **Key Advantages**

Set up costs relatively low.

No significant change in ongoing operational costs, for either Council.

Relatively straightforward to operate if the existing membership remains the same. Additional local authorities could join in the future.

Will achieve the expected efficiencies and economies of scale.

Offers long-term resilience.

Likely to be more acceptable to staff

### **Key Disadvantages**

The service will not be perceived as an equal partnership between the two Councils. One of the two Councils will feel that it has relinquished control and influence over the future direction of the service.

The risks and rewards are more difficult to share equally between the two Councils.

Other potential public sector partners will be unable to join in the future.

The service will find it difficult to develop its own identity.

|                   |  |
|-------------------|--|
| <p>and Unison</p> | <p>The lead authority would be responsible for any future contracts with external customers.</p> <p>May not be suitable for extending the scope of services to be delivered in the future.</p> <p>May not be sufficiently innovative and is therefore unlikely to inform either Council of the possible lessons from shared service working.</p> |
|-------------------|--|

## Detailed Assessment

### Option E – Company Limited by Shares or Guarantee

#### Description and Overview

The two Councils enter into a formal arrangement to establish a company limited by shares or guarantee. The company would be wholly owned by the two Councils, with a board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by the company's management. The company would be able to own assets, enter into contracts and employ staff in its own right. Staff from both Councils would be subject to a TUPE transfer to the company. The two Councils, as shareholders would be able to receive any surplus profits in the form of dividends. The company could obtain support services (HR, legal, finance and IT) from one or other Council.

#### Financial Implications

##### Set up costs

There will be legal costs arising from the need to obtain advice on the transfer of staff to the company. There will also be legal costs associated with the company formation. It is expected that some of this work would be undertaken in-house. The cost of external legal fees is estimated to be £10k.

All staff in the company would use the existing IT application hosted by CYC (Galileo.net). The initial set up and configuration costs of £10.4k are covered by a grant provided by the Regional Centre of Excellence.

##### Ongoing costs

The company would be responsible for the payment of all salaries, and for goods and services. The company would also be responsible for accounting for VAT and other payroll related taxes. In addition, the company would be subject to corporation tax.

The company is likely to be granted admitted body status to the North Yorkshire Pension Fund. It is also considered unlikely to require a bond. The employer pension contribution rate payable by the company would be determined by an actuarial assessment, which would produce a single rate for all staff. This rate would represent the future service costs of the staff transferred from the two Councils. The deficit element of the existing contribution rates for these staff would continue to be paid by the two Councils. The total cost of employer's pension contributions is therefore unlikely to be significantly different as a result of the TUPE transfer.

The company would need to recharge the two Councils for audit and fraud services provided. The charging mechanism would be set up in accordance with the financial principles set out in Annex 4. The overall cost of the service provided would however be cost neutral to the two Councils.

The additional cost of IT access charges and licence fees would be mostly offset by savings achieved through NYCC ceasing to use its own IT application. The estimated net increase in IT related costs of £1.3k pa would be met from existing budgets.

To enable it to deliver its services, the company would be provided with serviced accommodation by each Council. The company would be able to receive support services from one or other Council. However, the company would need to arrange its own insurance cover. The cost of this would be partially offset by the savings each Council would make on their own policies. The net increase in insurance premiums would be met from existing budgets.

The company would be a separate legal entity and would therefore need to prepare its own accounts. As the company is likely to be classed as a 'small company' then it would only need to prepare abbreviated accounts. Similarly, the company could claim exemption from the requirement for an audit. However, it is recognised that both Councils would probably wish to elect for an audit to be undertaken. The company would appoint its own auditors. Additional audit and accountancy fees of approximately £5k pa would be incurred as a result.

There may also be some additional costs for company administration. These costs are estimated to be approximately £1k pa.

### **Staffing Implications**

Staff would be employed by the company. The staff in both Councils would be transferred to the company under TUPE, and would remain on their current terms and conditions. The company would be responsible for all disciplinary matters, training and staff development. Trainees could be seconded to the company from either Council. Any such secondment would require the agreement of the member of staff concerned.

Staff would remain members of the NY Pension Scheme. New staff employed by the company would also be offered membership of the North Yorkshire Pension Scheme.

### **Legal Implications**

Both Councils have the necessary powers under the Local Government Act to enter into a partnership agreement to share services. The company would be set up in accordance with the Companies Act and would need to comply with the Local Government and Housing Act 1989. The company would be wholly owned by the two Councils, with each owning an equal share.

The company would be a legal entity in its own right. It would need to appoint directors and to file annual returns with Companies House.

The service would be provided to both Councils in accordance with a contract. The contract would be prepared in accordance with the principles set out in



Annex 5.

The company could be wound up in the event that one or other Council wished to leave the partnership. Other public sector partners could in the future take a share in the company.

### **Governance Arrangements**

Strategic and policy decisions would be taken by a board of directors, which would probably meet at least quarterly. The formation and operation of the board would be undertaken in accordance with the Companies Act. The directors would be appointed by the shareholders (ie the two Councils).

### **Service and Capacity Improvement**

This option would provide both Councils with an audit and fraud service which benefited from greater resilience and capacity. The shared service could also deliver the expected efficiencies and economies of scale, achieved through sharing best practice, improved resource allocation and the integration of systems and processes.

### **Innovation and Service Transformation**

This option can be extended in the future to include other local authorities, and other public sector bodies such as the NHS and housing associations. This option also provides increased flexibility and freedom, which would encourage innovation.

### **Financial and Business Opportunities**

The company offers an appropriate model to provide services to other public sector bodies and third sector organisations.

### **Organisational Impact**

This would be perceived as an equal partnership since both Councils would own the company and be able to exercise the same degree of control and influence. The company would also be able to develop its own identity and image. Customers and staff would clearly associate the company with the service.

### **Resilience and Sustainability**

This option would offer sufficient long-term resilience.

### **Key Advantages**

A company would be quick and easy to set-up.

### **Key Disadvantages**

Is not acceptable to Unison.

May be less acceptable to staff than

|   |  |
|---|--|
| <p>Set up costs relatively low.</p> <p>There would be no significant change in ongoing operational costs, for either Council.</p> <p>Relatively straightforward to operate. Other local authorities and public sector bodies could join in the future.</p> <p>Will achieve the expected efficiencies and economies of scale.</p> <p>Offers long-term resilience.</p> <p>Profits can be retained and reinvested in the service.</p> <p>The service will be perceived as an equal partnership between the two Councils. Both Councils will be able to exercise control and influence over future direction of the service.</p> <p>The risks and rewards associated with the partnership would be shared equally between the two Councils.</p> <p>The service will be able to develop its own identity.</p> <p>Would allow easy expansion of the scope of services to be delivered in the future.</p> <p>Represents a more innovative solution and is therefore more likely to inform both Councils of the possible lessons from shared service working.</p> | <p>the other options being considered.</p> |
|---|--|

By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service**

**Outline Business Case**

**Risk Assessment**

This page is intentionally left blank

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

**PROJECT RISK**

| Reference | Risk  |   | Assessment |            | Overall Risk Score | Owner   | Action Plan  | Target Date |
|-----------|---|---|------------|------------|--------------------|---------|--|-------------|
|           | Description   | Possible Consequences   | Impact     | Likelihood |                    |         |  |             |
| P1        | Agreed project timetable becomes unachievable. The project takes longer than expected to implement.                                     | There is a loss in credibility. The anticipated benefits from developing the shared service take longer to materialise. | 3          | 2          | 13                 | PB      | Agree realistic project plan and timetable. Project Board to monitor the completion of agreed deliverables and to keep the timetable under review.   | Ongoing     |
| P2        | Differences in values / cultures between the two Councils create tensions.  | The viability of the project is jeopardised.  | 3          | 1          | 6                  | PB / IT | Project Board to promote openness and transparency. Involve key stakeholders from both Councils in any decision making. Agree dispute resolution process. Prepare change management programme in conjunction with the project implementation plan. | 31/8/08     |
| P3        | There is insufficient support / commitment for the project from Members, senior management and other key staff at one or both Councils. | Key stakeholders lack confidence in the process. The implementation is delayed or aborted.                              | 5          | 2          | 22                 | PB      | Project Board to maintain regular contact with all key stakeholders. Review and monitor stakeholder engagement throughout the implementation stage.  | Ongoing     |
| P4        | There is a change in political control at either Council leading to a reduction in support for the project.                             | The viability of the project is jeopardised.  | 3          | 1          | 6                  | PB      | Project Board to seek cross party support for the project.   | 30/4/08     |
| P5        | There is insufficient investment in project management to successfully deliver the agreed outcome.                                      | The project is delayed and / or lacks credibility.  | 3          | 3          | 14                 | PB      | Resource commitment to be set out in the Project Implementation Plan. Project Board to keep project resource requirement under review.   | 30/6/08     |
| P6        | There is inadequate provision for resolving disputes between the two Councils.  | There is a reduction in trust and / or the implementation of the agreed option fails to be achieved.                    | 3          | 2          | 13                 | PB      | Agree dispute resolution process.  | 30/4/08     |
| P7        | Key staff associated with the project leave.  | The project is delayed.   | 4          | 1          | 12                 | PB / IT | Prepare contingency plans and reduce current reliance on key project staff.  | 30/4/08     |
| P8        | There is uncertainty and / or disagreement between the two  | The scope of the project changes because one or both Councils   | 2          | 1          | 2                  | PC / PB | Project scope to be agreed (as set out in the Outline Business Case). Any  | 31/3/08     |

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Reference | Risk  |  | Assessment |            | Overall Risk Score | Owner   | Action Plan  | Target Date |
|-----------|---|--|------------|------------|--------------------|---------|--|-------------|
|           | Description   | Possible Consequences  | Impact     | Likelihood |                    |         |  |             |
|           | Councils about the scope of the project (in terms of which services are to be included or not).                 | decides to add / take out services during the implementation stage. The implementation takes longer or is made more complicated as a result. |            |            |                    |         | changes to be made only with the agreement of both Councils.   |             |
| P9        | The two Councils are unable to reach agreement on the vision, objectives and priorities for the shared service. | The project is delayed and / or lacks credibility.   | 2          | 1          | 2                  | PC/ PB  | Project vision and objectives to be agreed (as set out in the Outline Business Case). Members to be asked to endorse the vision and objectives.  | 31/3/08     |
| P10       | There is a lack of commitment to make the project a success.  | Implementation of the agreed option is made more difficult and / or the viability of the project is jeopardised.                             | 2          | 1          | 2                  | PC / PB | Both Councils continue to express clear support for the project vision and objectives as set out in the Outline Business Case. Members to be asked to endorse the vision and objectives. | 31/3/08     |
| P11       | The two Councils are unable to agree on the most appropriate long term delivery vehicle for the shared service. | Implementation of the agreed option is made more difficult and / or the viability of the project is jeopardised.                             | 5          | 1          | 17                 | PC / PB | Formal approval to be sought from Members before proceeding to implement the preferred delivery option.  | 31/3/08     |
| P12       | The implementation plan is poorly defined and / or managed.   | Implementation of the agreed option is made more difficult and / or the viability of the project is jeopardised.                             | 3          | 3          | 14                 | PB      | Subject to Member approval, a detailed Project Implementation Plan will be developed. The Project Board will monitor the preparation and delivery of the Implementation Plan.            | 31/8/08     |
| P13       | Government policy changes leading to uncertainty about the rationale for the project.                           | The viability of the project is jeopardised.   | 2          | 1          | 2                  | PB      | The Project Board to reflect any changes in the Outline Business Case and / or the Project Implementation Plan.  | 31/8/08     |
| P14       | There is disagreement between the two Councils about the identity / image of the new service.                   | The shared service cannot establish own identity resulting in a lack of 'buy-in' from staff and stakeholders.                                | 3          | 1          | 6                  | PB      | Identity and image to be addressed through the Project Implementation Plan. Agreement to be reached prior to formal implementation stage.  | 30/6/08     |
| P15       | There is disagreement between the two Councils about how the chosen option will be                              | Implementation of the agreed option is made more difficult and / or the viability of the project is  | 3          | 1          | 6                  | PB      | Subject to Member approval, a detailed Project Implementation Plan will be developed. The Project Board will   | 31/8/08     |



**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Risk      |  |   | Assessment |            | Overall Risk Score | Owner | Action Plan   | Target Date |
|-----------|--|---|------------|------------|--------------------|-------|---|-------------|
| Reference | Description  | Possible Consequences   | Impact     | Likelihood |                    |       |   |             |
|           | implemented and / or the timescales for implementation.  | jeopardised.  |            |            |                    |       | monitor the preparation and delivery of the Implementation Plan. Agree dispute resolution process.  |             |
| P16       | The project does not take proper account of other corporate strategies / initiatives in each Council.        | The Project lacks credibility.  | 2          | 1          | 2                  | PB    | Project Board to maintain regular contact with all key stakeholders. Review and monitor stakeholder engagement.   | Ongoing     |
| P17       | Critical success factors are not defined.  | It is not possible to judge whether the project has been a success.   | 2          | 1          | 2                  | PB    | To be addressed through the Project Implementation Plan.  | 30/6/08     |
| P18       | Significant new partner expresses wish to join the partnership prior to implementation of the agreed option. | Implementation of the agreed option is made more difficult and / or is delayed.   | 3          | 1          | 6                  | PB    | Project Board to assess the impact of any such change. Any future changes to membership to be made only with the agreement of both Councils.  | Ongoing     |
| P19       | There is a failure to engage with potential new partners and / or customers.                                 | The potential views and / or requirements of future partners and / or customers are not taken account of in preparing the Outline Business Case and / or the implementation plan. | 2          | 1          | 2                  | PB    | Potential partners and / or customers to be consulted as part of the work to prepare the Outline Business Case. Contact to be continued through the development of the Project Implementation Plan, and afterwards. | 31/8/08     |
| P20       |  |   |            |            |                    |       |   |             |

**Implementation Risks - Preferred Option**

| Risk             |  |  | Assessment  |        | Overall Risk Score | Owner | Action Plan  | Target Date |
|------------------|--|--|-------------|--------|--------------------|-------|--|-------------|
| Reference        | Description  | Possible Consequences  | Probability | Impact |                    |       |  |             |
| <b>Financial</b> |  |  |             |        |                    |       |  |             |
| F1               | The set up costs for the chosen option (company incorporation, staff transfer, infrastructure etc) are more than estimated and/or greater than the available budget. | The company is not properly set up and / or cannot deliver the required services, resulting in the project being aborted. Alternatively, there is significant cost escalation. | 3           | 2      | 13                 | PB    | Estimate of set up costs for the company included in the Outline Business Case. Estimate to include company incorporation, staff transfer and the development of necessary infrastructure. Detailed assessment of set up costs to be prepared as part of | 30/6/08     |

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Reference                                     | Risk   |   | Assessment  |        | Overall Risk Score | Owner | Action Plan   | Target Date |
|---|--|---|-------------|--------|--------------------|-------|---|-------------|
|   | Description  | Possible Consequences   | Probability | Impact |                    |       |   |             |
|   |  |   |             |        |                    |       | the Project Implementation Plan. Project Board to monitor actual costs during implementation. Action to be taken early to address any overspends.   |             |
| F2  | Integration of services between the two Council's audit teams is too difficult or costly.                                  | Anticipated benefits from the shared service do not materialise within required timescales.   | 2           | 3      | 9                  | PB    | Integration team to monitor delivery of key aspects of the Implementation Plan. Key milestones to be identified. Action to be taken to address any failings. Exit clauses to be agreed in the event of significant failure. | 31/3/09     |
| F3  | Payment mechanisms for the new service cannot be agreed.   | The payment methodology is not agreed in time to enable the company to function properly.   | 2           | 4      | 10                 | PB    | Payment methodology to be agreed as part of the detailed Project Implementation Plan. Implementation will not proceed until agreement has been reached between the two Councils on the appropriate payment mechanism.       | 31/8/08     |
| F4  | Financial / efficiency targets are not achieved within the anticipated timescales.   | The company has insufficient funds to reinvest and / or to cover existing expenditure commitments. The company is unable to pay dividends to the shareholders for the foreseeable future. | 2           | 4      | 10                 | PB    | Company may require a loan facility to finance any short term delays in efficiency realisation.   | 31/3/09     |
| F5  | Existing contracts with external customers for the supply of internal audit services cannot be transferred to the company. | The Council's are unable to service existing contracts.   | 1           | 3      | 4                  | PB    | Further legal advice to be obtained, and necessary agreements arranged.   | 30/6/08     |
| <b>Benefit Realisation / Service Delivery</b> |  |   |             |        |                    |       |   |             |
| B1  | The anticipated benefits of the shared service are not achieved within the required timescales.                            | Capacity and resilience are not improved.   | 2           | 4      | 10                 | PB    | Success criteria to be agreed as part of the Project Implementation Plan. Project board to monitor benefits realisation. Action to be taken to address any failings.  | 30/6/08     |
| B2  | The expectations of internal and   | The reputation and credibility of the   | 2           | 4      | 10                 | PB    | Client arrangements to be put in place,   | 31/8/08     |

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Reference                   | Risk  |  | Assessment  |        | Overall Risk Score | Owner | Action Plan   | Target Date |
|-----------------------------|---|--|-------------|--------|--------------------|-------|---|-------------|
|                             | Description   | Possible Consequences  | Probability | Impact |                    |       |   |             |
|                             | external customers are not met.   | service are damaged.   |             |        |                    |       | to monitor service deliver / quality.   |             |
| B3                          | There is disagreement between the Councils regarding future service delivery/ priorities.   | The service cannot be developed.   | 1           | 2      | 3                  | PB    | Project Board to promote openness and trust between the two Councils. Key stakeholders from both Councils to be consulted to help shape the future development of the service. Agree dispute resolution process.      | 31/8/08     |
| B4                          | The company becomes too remote from one or both Councils.   | The service is no longer responsive to the needs of one or both Councils. The effectiveness of the service diminishes. | 2           | 4      | 10                 | PB    | Client arrangements to be put in place, to monitor service deliver / quality. Service delivery to be monitored and remedial action taken in the event that the requirements of both Councils are no longer being met. | Ongoing     |
| <b>Future Development</b>   |   |  |             |        |                    |       |   |             |
| D1                          | The chosen option is not attractive to new potential public sector partners.  | The service cannot be developed as expected. The viability of the company is jeopardised.                              | 1           | 1      | 1                  | PB    | To maintain contact with potential partners through the implementation stage, and afterwards.   | Ongoing     |
| D2                          | The service is unable to attract new external (public and third sector) customers.  | The company cannot develop appropriate income streams, and therefore has insufficient funds to reinvest.               | 2           | 4      | 10                 | PB    | Business development opportunities to be explored in detail as part of the Project Implementation Plan.   | 31/8/08     |
| D3                          | The new company is uncompetitive when compared to private sector providers.   | The company cannot sell services to other public or third sector bodies.   | 1           | 1      | 1                  | PB    | Pricing policy to be agreed, and kept under review.   | 31/8/08     |
| <b>Legal / Reputational</b> |   |  |             |        |                    |       |   |             |
| L1                          | Other key stakeholders (for example, the external auditors) raise questions about the legality and / or appropriateness of the chosen option. | The viability of the chosen option is jeopardised.   | 3           | 1      | 6                  | PB    | Project Board to brief all key stakeholders, and to maintain regular contact through the implementation stage.  | 31/3/09     |
| L2                          | The decision not to follow an EU procurement tender exercise before implementing the chosen   | Appropriate legal advice is taken before the chosen option is implemented. The impact of the                           | 3           | 1      | 6                  | PB    | Further legal advice to be taken before the actual implementation date.   | 30/6/08     |

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Reference         | Risk   |  | Assessment  |        | Overall Risk Score | Owner   | Action Plan   | Target Date |
|-------------------|--|--|-------------|--------|--------------------|---------|---|-------------|
|                   | Description  | Possible Consequences  | Probability | Impact |                    |         |   |             |
|                   | option is challenged.  | Teckel decision is fully evaluated.  |             |        |                    |         |   |             |
| L3                | Future public sector partners are unable to join due to the legal constraints.   | The partnership cannot be extended.  | 1           | 1      | 1                  | PB      | To maintain contact with potential partners through the implementation stage, and afterwards.   | 31/8/08     |
| L4                | The company is unable to develop its own culture / image.  | The shared service cannot establish own identity resulting in a lack of 'buy-in' from stakeholders, staff and customers. | 3           | 1      | 6                  | PB      | Project Board to agree on appropriate image (name, logo etc) which stakeholders, staff and customers can identify with, as part of the project implementation plan. Agreement to be reached before formal implementation stage.   | 30/6/08     |
| L5                | There is a legal challenge regarding the company's ability to sell services to the third sector (due to state aid rules).                        | The company cannot sell services to third sector bodies.   | 1           | 1      | 1                  | PB      | Further legal advice to be taken before the actual implementation date.   | 30/6/08     |
| <b>Governance</b> |  |  |             |        |                    |         |   |             |
| G1                | The client / governance arrangements within both Councils are not adequately resourced and / or properly defined.                                | The service is no longer provided in accordance with the needs and expectations of the two Councils.                     | 2           | 4      | 10                 | PB      | Client arrangements to be put in place, to monitor service deliver / quality. Resource commitment to be set out in the Project Implementation Plan. Project Board to keep under review. Service delivery to be monitored and remedial action taken in the event that the requirements of both Councils are no longer being met. | Ongoing     |
| G2                | There is disagreement between the two Councils about the provision of support services (IT, finance, HR, legal and property) to the new company. | The company is unable to obtain the necessary support from one or both Councils.   | 2           | 4      | 10                 | PB      | Agree dispute resolution process.   | 30/4/08     |
| G3                | Existing service contracts (for example, computer audit) cannot be transferred to the new company.   | The company is unable to receive support from external service providers.  | 2           | 2      | 8                  | PB / IT | Further legal advice to be obtained, and necessary agreements arranged.   | 30/6/08     |

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Reference       | Risk   |  | Assessment  |        | Overall Risk Score | Owner   | Action Plan   | Target Date |
|-----------------|--|--|-------------|--------|--------------------|---------|---|-------------|
|                 | Description  | Possible Consequences  | Probability | Impact |                    |         |   |             |
| G4              | IT licences and agreements (Galileo, Intec and IDEA) cannot be transferred to the company.                               | The company is unable use relevant IT applications.  | 2           | 3      | 9                  | PB      | Further legal advice to be obtained, and necessary agreements arranged to transfer licences to the company.   | 30/6/08     |
| G5              | Staff in the new company are unable to use each Council's pool cars.   | Staff are unable to use pool cars.   | 1           | 1      | 1                  | PB / IT | Alternative transport arrangements to be put in place, if existing arrangements cannot be continued.  | 31/8/08     |
| G6              | There is disagreement between the two Councils about the length and specification for the contract with the new company. | The viability of the project is jeopardised, and / or the implementation is delayed.                 | 2           | 2      | 8                  | PB      | Contract terms to be agreed as part of the Project Implementation Plan. Agree dispute resolution plan.  | 31/8/08     |
| G7              | There is disagreement regarding the allocation of support service and central recharges.                                 | The allocation of costs is not agreed in time to enable the company to function properly.            | 2           | 4      | 10                 | PB      | Cost allocation methodology to be agreed as part of the detailed Project Implementation Plan. Implementation will not proceed until agreement has been reached between the two Councils on the financial charging and costing arrangements. | 31/8/08     |
| <b>Staffing</b> |  |  |             |        |                    |         |   |             |
| S1              | Differences in the cultures of the two teams create tensions.  | Staff turnover increases and / or there is a detrimental effect on staff motivation and performance. | 3           | 3      | 14                 | PB / IT | Prepare change management programme in conjunction with the Project Implementation Plan. Maintain effective communication with staff (in accordance with the agreed Communications Strategy).   | 31/8/08     |
| S2              | Staff are reluctant to accept the chosen option.   | Staff resistance/ lack of buy-in. Staff turnover increases. Current performance deteriorates.        | 3           | 3      | 14                 | PB / IT | Prepare change management programme. Maintain effective communication with staff (in accordance with the agreed Communications Strategy). Seek to address concerns raised by staff.   | 31/8/08     |
| S3              | Key staff in both teams leave before or during the implementation phase.   | Implementation is delayed or jeopardised.  | 4           | 1      | 12                 | PB / IT | Prepare contingency plans and reduce reliance on key staff, if possible.  | 30/4/08     |

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Reference | Risk  |  | Assessment  |        | Overall Risk Score | Owner   | Action Plan  | Target Date |
|-----------|---|--|-------------|--------|--------------------|---------|--|-------------|
|           | Description   | Possible Consequences  | Probability | Impact |                    |         |  |             |
| S4        | The chosen option is unattractive to potential new members of staff.  | Staff recruitment is difficult.  | 3           | 1      | 6                  | PB / IT | Communicate the benefits of the company to potential new recruits. Explore alternative recruitment methods.  | 31/8/08     |
| S5        | Differences in terms and conditions, and other benefits cause resentment between the two sets of transferring staff                     | Staff resistance / low morale leading to higher staff turnover, poor attendance and reduced performance. | 4           | 3      | 19                 | PB      | Further HR and legal advice to be taken before consideration of any changes. Project Board to offer equal benefits package to staff as part of the implementation process.<br><br>Note – any future changes to terms and conditions subject to TUPE legislation. | 31/8/08     |
| S6        | Staff concerns about impact on continuous service (for example, losing entitlement to additional annual leave and long service awards). | Staff resistance / low morale leading to higher staff turnover, poor attendance and reduced performance. | 4           | 3      | 19                 | PB      | Project Board to seek agreement from both Councils that employment by the company will be counted as continuous service.   | 31/8/08     |
| S7        | Staff concerns about being unable to apply for ring fenced jobs in either Council.  | Staff resistance / low morale leading to higher staff turnover, poor attendance and reduced performance. | 4           | 3      | 19                 | PB      | Project Board to seek agreement from both Councils that staff employed by the company will be able to apply for internally advertised posts (and vice versa).  | 31/8/08     |
| S8        | Staff concerns about the impact on their pensions.  | Staff resistance / low morale leading to higher staff turnover, poor attendance and reduced performance. | 1           | 1      | 1                  | PB      | Project Board to obtain confirmation that the company will be granted admitted body status to the NY Pension Scheme.   | 30/4/08     |
| S9        | Staff concerns about union recognition in future company.   | Staff resistance / low morale.   | 1           | 1      | 1                  | PB      | Project Board to reaffirm commitment to work closely with Unison through the project implementation stage, and afterwards.<br><br>Note – union recognition is legal requirement in certain circumstances.  | Ongoing     |
| S10       | Staff concerns about the application of future national pay awards  | Low staff morale leading to higher turnover, poor attendance and reduced performance.                    | 1           | 1      | 1                  | PB      | Shareholder agreement to be prepared which commits the company to apply future national pay awards in full.  | 31/8/08     |

**North Yorkshire County Council and City of York Council  
Shared Audit & Fraud Service  
Risk Assessment**

| Reference | Risk   |   | Assessment  |        | Overall Risk Score | Owner | Action Plan   | Target Date |
|-----------|--|---|-------------|--------|--------------------|-------|---|-------------|
|           | Description  | Possible Consequences   | Probability | Impact |                    |       |   |             |
| S11       | Staff concerns about whether new employees will be on different terms and conditions to those who are transferred from each Council. | Low staff morale leading to higher turnover, poor attendance and reduced performance. | 1           | 1      | 1                  | PB    | Shareholder agreement to be prepared which commits the company to employ new staff on same terms and conditions.<br><br>Note – two tier workforce regulations apply.                    | 31/8/08     |
| S12       | Staff concerns about the two Council's future commitment to the new company.   | Low staff morale leading to higher turnover, poor attendance and reduced performance. | 2           | 2      | 8                  | PB    | Contract terms to be agreed as part of the Project Implementation Plan.   | 31/8/08     |
| S13       | Unison oppose the choice of a company to deliver the shared service.   | Implementation of the chosen option is resisted.                                      | 4           | 3      | 19                 | PB    | Project Board to reaffirm commitment to work closely with Unison through the project implementation stage, and afterwards. All appropriate steps to be taken to address staff concerns. | Ongoing     |

**Key**

PC            Project Champions (CYC – Simon Wiles, NYCC – John Moore)  
 PB            Project Board  
 IT            Integration Team

**Overall Risk Scores**

1 – 5            Very low  
 6 – 10          Low  
 11 – 15        Medium  
 16 – 20        High  
 21 – 25        Critical

This page is intentionally left blank





---

## Meeting of Executive Member for Corporate Services 18<sup>th</sup> March 2008 and Advisory Panel

Report of the Easy@York Programme Manager

### Update on the Local Housing Allowance (LHA)

#### Summary

1. This report provides an update to Members on the work being done to implement the new Local Housing Allowance from April 08. This paper also sets out details of our Safeguard Policy. This report is for information only and no decision is required. The authority is due to be issued with final LHA rates by the Rent Service in early March. At EMAP on 18th March an assessment of the likely financial impact for customers will be presented.

#### Background

2. The LHA is a new way of working out new claims for Housing Benefit for tenants renting accommodation from a private landlord. It also affects tenants already getting Housing Benefit who move into accommodation rented from a private landlord.
3. LHA is being introduced on 7th April 2008 and a tenant's benefit will be based on:
  - Who lives with them
  - Which area they live in
  - How much money they have coming in
  - What savings they have
4. In some cases the amount of benefit they are entitled to will be affected by other things. They can include:
  - How much their rent is
  - Whether anyone living with them is expected to contribute to their rent

All local authorities with responsibility for the calculation and payment of Housing Benefit must implement the scheme with effect from 8th April. The DWP have provided start-up funding of around £135k to cover the costs of software, training and publicity. The value of this funding provides an indication of the size and scale of the change in Benefits legislation.

*Aims of the LHA scheme*

5. The Government's stated aims of the scheme are to promote
6. **Fairness** – intention is to pay similar amounts of allowance to customers with similar circumstances in the area rather than linked to the level of rent charged.
7. **Choice** – tenants are able to take greater responsibility and choose how to spend their income in a similar way to tenants not in receipt of benefits. They would be able to choose whether to rent a larger property, or to spend less on housing and increase their available income.
8. **Transparency** – the current link between Housing Benefit and rent levels is complicated and is determined by what the Rent Officer deems reasonable. The LHA will give a clear set of allowances and enable comparison between housing costs in different areas and for different sized properties.
9. **Personal Responsibility** – the LHA will be paid direct to the tenant and not the landlord in the majority of cases with the aim of encouraging people to take responsibility for budget management and paying the rent themselves. This is seen as a key factor in empowering tenants and encouraging them back into work.
10. **Simplicity** – the current system of rent restrictions and referrals to the Rent Officer will be phased out. For working age customers it provides greater certainty about the help they will get with their rent both in and out of work. It should also improve processing times for Housing Benefit claims by reducing the need to refer claims to the Rent Service.

*Operation of the LHA scheme*

11. The operation of the scheme is much as described in the EMAP paper of 30th October. However further work has been done to establish a safeguard protocol for tenants. Details of this process follow later in the paper.

*Provisional LHA Rates*

12. The Rent Service continues to refine the rates that will apply in York. The most recent provisional rates are shown in the attached table.

| <b>Number of Bedrooms</b> | <b>Category</b> | <b>Oct 07<br/>£ pw</b> | <b>Feb 08<br/>£ pw</b> |
|---------------------------|-----------------|------------------------|------------------------|
| Shared Room Rate          | A               | 58.00                  | 58.00                  |
| 1 bedroom                 | B               | 103.85                 | 103.85                 |
| 2 bedrooms                | C               | 126.92                 | 126.92                 |
| 3 bedrooms                | D               | 138.46                 | 150.00                 |
| 4 bedrooms                | E               | 248.08                 | 240.00                 |
| 5 bedrooms                | F               | 248.08                 | 320.00                 |

As can be seen, there has been a shift in the provisional rates.

13. We continue to make representation to DWP regarding the impact of the new scheme on claimants within the city. For the period January 06 to January 07, the Rent Office have compared the actual decision it made on a property's rent with the decision it would have made using the new formulae. The results are set out in the table below.

| Local Authority    | Total Referrals between Jan 06 and Jan 07. | Using the LHA – the number where the rent would increase | Using the LHA – the number where there would be no change | Using the LHA – the number where the rent would decrease |
|--------------------|--|--|---|--|
| City of York       | 2353                                       | 80<br>(3.4%)   | 1275<br>(54.2%)   | 998<br>(42.4%)   |
| Hambleton          | 150  | 58<br>(38.7%)  | 83<br>(55.3%)   | 9<br>(6%)  |
| E Riding           | <i>Excluded as it was a pilot site</i>     |  |   |  |
| Ryedale            | 326  | 172<br>(52.8%)   | 153<br>(46.9%)  | 1<br>(0.3%)  |
| Selby              | 746  | 280<br>(37.5%)   | 441<br>(59.1%)  | 25<br>(3.4%)   |
| Total for Locality | 3575                                       | 590<br>(16.5%)   | 1952<br>(54.6%)   | 1033<br>(28.9%)  |
| National Average   | 973709                                     | 190506<br>(19.6%)  | 720109<br>(73.9%)   | 63094<br>(6.5%)  |

14. As can be seen, the position for City of York gives concern. Of the 2353 Rent Officer referrals made, 998 (42.4%) would have resulted in a reduction in the amount allowed. Less than 4% resulted in an increase. The impact of setting median rent levels across a geographical area that includes York is having the effect of reducing what is allowable in York but increasing the payments to be made in areas such as Selby and Ryedale. Although the size of York's rental market compared with our neighbours does mitigate some of the effects of averaging rents across a geographical area, it is the case that some claimants will be adversely affected. Once the final LHA rates are provided in early March, we will be in a position to provide EMAP with a better analysis of the financial impacts of the scheme.
15. I have written to DWP to draw attention to the potential impact that this scheme will have on York claimants and to bring to their attention the marked difference between the impact in York and the overall national picture. Of immediate concern is the impact LHA may have on existing claimants who move after 8<sup>th</sup> April. There is no protection or transition scheme available so, depending on the LHA rates, tenants could be adversely affected. Additional support is available under the Discretionary Housing Payments (DHP) scheme but this requires a separate application by the claimant and the DHP fund is limited, in 2008/09 it will be £28.5k. We have overspent this budget during 2007/08 and although we can vire CYC funds to supplement this budget, legislation and our own financial

circumstances limit what we can make available. Given the unsatisfactory way in which this budget is allocated (a large number of authorities do not use their funds), I have also requested that DWP increase the CYC DHP budget. I am due to meet the Head of DWP Housing Policy during March to progress these issues further.

16. For the remainder of our tenants in receipt of Housing Benefit, they will be impacted when the annual review of their rent is made. On the figures in the table above, 40% could see a reduction in what they are paid. A fuller analysis of the financial impacts will be provided at EMAP.

#### *Safeguard Protocol*

17. It is acknowledged that some customers will have difficulty in managing their affairs or will not pay their rent. To safeguard the tenancies of these customers we have the discretion to make payments directly to the landlord where it is in the customer's interest to do so. We call these Safeguard decisions.

18. There are three conditions that allow payment of HB to be made to the landlord under the Safeguard protocol:

- The tenant is likely to have difficulties managing their own affairs
- The tenant is unlikely to pay their rent
- The tenant has arrears of eight weeks or more

19. In all cases the Safeguard will only be applied if it is in the overriding interest of the tenant to do so.

20. These principles only apply to payment of HB up to the amount of the tenant's contractual rent – any payment in excess of this amount must be paid to the tenant regardless of any Safeguard decision. The only exception is in the case of arrears, where the excess can be paid to the landlord to reduce these arrears.

#### *Objectives*

21. This approach is intended:

- To provide a safeguard for customers who are likely to have difficulty in managing their affairs or are unlikely to pay their rent thereby preventing rent arrears and the risk of eviction
- To reassure landlords that benefit entitlement will be paid
- To ensure that there is a transparent and clear process which can be understood by all

- To ensure that decisions are made consistently
- To treat each case on its own individual merits

22. Tenants who have an appointee who looks after their affairs will generally not need their HB paid to the landlord to safeguard their tenancy.

*Tenants who are likely to have difficulty managing their own affairs*

23. Each tenant's circumstances are different and each case must be considered on its own merits. Below are some examples of issues, which might cause tenants difficulty in managing their affairs, and so could be considered for HB payment direct to their landlord.

- Medical conditions affecting mental or physical health
- Poor understanding of, or inability to communicate, in English
- Addictions to drugs, alcohol or gambling
- Severe debt
- Inability to open a bank account
- Undischarged bankruptcy
- Leaving care
- Leaving prison

24. It will not be sufficient to simply experience one of these issues for us to make payment to the landlord – it must also be shown that the tenant would have difficulty managing their affairs.

*Tenants who are unlikely to pay their rent*

25. Most tenants are capable of managing their own affairs, and therefore it must be assumed that they will make payments of rent to their landlord unless there is evidence to suggest otherwise. Where there is evidence to support non-payment of rent, HB may be paid direct to the landlord only where it is in the tenant's interest to do so. For example, where a tenant may be withholding rent because of a dispute with the landlord over repairs, it may not be in the tenant's interest to pay direct to the landlord.

*Tenants with arrears of eight weeks or more*

26. Where it is shown that a customer is in arrears of 8 weeks or more, payment will be made directly to the landlord, unless it is in the overriding interest of the customer not to do so. We will expect the landlord to be able to show proof of the arrears.

27. All cases will be monitored to ensure this provision will only apply until the arrears have reduced to less than 8 weeks or have been cleared. However, consideration may then be given to the other provisions under the Safeguard protocol.

*Making a request*

28. We will accept a request for landlord payment from the tenant, the landlord or any other representative or organisation. Where the request is made by anyone other than the tenant, they must supply written authority to act on behalf of the tenant.

29. The request can be made by letter or email, by telephone or on the Safeguard payment application form, and should be supported by written evidence. If there is insufficient supporting evidence we will write to ask for this.

30. Examples of supporting evidence include letters from the following:

- Support worker
- Voluntary or welfare organisations
- GP or other health service professional
- Other council services or government bodies, such as Social Services
- Landlord
- Friends, family or neighbours

*Implementation of the LHA Scheme.*

31. The following work has been done to ensure the successful implementation of the LHA scheme:

*Software*

32. The required software has been purchased from Northgate. In addition it has been installed and a first phase of testing has been completed. A second test will be done once the Council Tax annual billing run has been completed. We are confident that there will be no technical issues.

*Staff Training*

33. Initial awareness training has been completed, supplemented by some technical training. We intend to offer further training on 13th/19th March to allow staff to practice using the new IT processes. Awareness training for non Benefits Service staff will be offered once all assessors have had their training.

*Procedures*

34. These are being developed and will be ready to support go-live.

*Stakeholders*

35. Two large events have been run for landlords within the city. These were well attended and have been followed up with meetings and documentation. A landlord newsletter has been devised and is being used to answer frequently asked questions. A further forum has been planned for post go-live to assess the impact on landlords.

36. An event has also been run for CAB and others that provide advice to potential claimants.

*Financial*

37. We have used the LHA as an opportunity to offer direct debit into bank accounts as a way of paying tenants. We have prepared some banking and money advice guidance to support this.

*Publicity*

38. A series of guidance booklets have been produced and distributed. This work has been done in partnership with our neighbouring authorities.

**Consultation**

39. We have consulted with colleagues in Housing and they are aware of progress on the implementation of LHA. We are working hard with CAB and have consulted landlords and have an ongoing dialogue with their association..

**Options**

40. This section should present the options available for Members to consider.

**Analysis**

41. Not applicable as this report is for information only.

**Corporate Priorities**

42. The payment of HB contributes towards two corporate objectives:

- Improve the health and lifestyles of the people who live in York, particularly among groups whose level of health are the poorest
- Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city.

## Implications

43.

- **Financial** - the Council will receive funding from the DWP of £135k to support the implementation of the scheme.
- **Human Resources (HR)** – None
- **Equalities** – None
- **Legal** – None
- **Crime and Disorder** – None
- **Information Technology (IT)** - Software updates and testing have been installed by Resources ITT as part of the normal maintenance arrangements for the benefits system.
- **Property** - None
- **Other** - None

## Risk Management

44. This report is for information and there are no risks to consider.

## Recommendations

45. The Advisory Panel is asked to advise the Executive Member to:

- Note the content of this report
- Note the establishment of a safeguard protocol
- Note that a financial assessment of the likely impact of the LHA scheme on tenants will be provided at EMAP on 18<sup>th</sup> March.

Reason: to keep the Executive Member informed of changes in legislation that impact on the processing and payment of Housing Benefit.



**Contact Details**

**Author:**  
Stewart Halliday  
easy@York  
Manager  
Dept  
Easy@york  
553402

**Programme**  
Director of Resources

**Chief Officer Responsible for the report:**  
Simon Wiles

Report Approved  Date 5/3/08

**Specialist Implications Officer(s)** None

**Wards Affected:** *List wards or tick box to indicate all*

All

For further information please contact the author of the report

**Background Papers:**

None

**Annexes**

None

This page is intentionally left blank