

Committee:	Date:
Efficiency & Performance Sub Committee	22 January 2014
Subject: Trigger Reports	Public
Report of: The Chamberlain	For Information

Summary

The Efficiency Board monitors the various sources that might trigger a report to the Sub Committee. The Board has considered a number of external triggers which are covered in this report:

- *Austerity and Beyond* – a report by Chartered Institute of Public Finance and Accountancy
- *Protecting the Public Purse* – annual update by the Audit Commission
- *Income from Charging* – report by the Audit Commission
- *Business Rates* - report by the Audit Commission

There are no major issues of concern to highlight for the Sub Committee's attention. However, members are invited to identify any areas where they feel specific work should be undertaken.

Recommendation(s)

Members are asked to receive this report and identify any particular areas where further work should be undertaken

Main Report

Background

1. The Efficiency Board monitors a number of source documents to identify issues that should be reported to the Sub Committee from a value for money perspective. These sources are as follows:
 - Monthly budget monitoring reports
 - Local Area Performance Solution (LAPS)
 - Committee Reports
 - DTC Performance meetings
 - Benchmarking studies
 - External audit or inspections
 - National studies, eg. National Audit Office
 - Issues of Public concern
 - Feedback from service users

There are no particular issues arising from these sources other than 4 external reports, which are covered in this report.

Austerity and Beyond

2. This is a discussion paper based on a survey of 439 senior local government finance professionals as well as a series of in depth interviews carried out by the CIPFA Social Research Team. The objective of the paper was to present a positive picture of how local government can adapt to the new reality of reduced funding and remains a work in progress.
3. There are perhaps two things to draw attention to at this stage. Firstly, the paper lists the measures that Councils are taking in order to balance budgets. This is of particular interest in terms of our own service based review approach as it may be anticipated we will ourselves consider most, if not all of these ourselves:

Measures	%
Efficiency measures	93
Reducing back-office spend	80
Increasing fees & charges	73
Rationalising property and assets	70
Sharing Services	65
Management re-structuring	64
Drawing down reserves	50
Seeking alternative funding	48
Merging services	46
Reducing front line spend	42
Discontinuing / withdrawing services	32
Outsourcing to alternative providers	31
Introducing fees & charges	30
Ousourcing to private sector	26
Bringing services back in house	22
Other	10

4. Secondly the paper comments on the relationship between the citizen and the state and the doubt there was amongst CFOs about the implicit government assumption that large numbers of people would wish to run council services under “Big Society” initiatives. However, this view looks to have been very recently contradicted by the LGA which argues that as Councils’ hands are largely tied with the funding needed for basic services that it must provide, including care for the elderly, child protection and refuse collection, it leaves the running of other services such as leisure centres, parks, libraries open to radical reform; this will require people to be prepared to take a direct role in providing these services.

Protecting the Public Purse

5. This annual report from report from the Audit Commission finds that councils are targeting their investigative resources more efficiently and effectively, detecting more than 124,000 cases of fraud in 2011/12, totaling £179 million. But the Commission urges councils hem not to drop their guard, as new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.
6. The report says that, despite these detection rates, more can still be done. The National Fraud Authority (NFA) estimates that the total amount of fraud in the UK costs every adult in the country about £1,460 a year. Fraud targeting just local government exceeds £2.2 billion per year.

7. The Corporation has a robust anti-fraud policy. However, the Commission has updated its checklist which gives organisations an opportunity to consider how effective they are at responding to the risk of fraud. This is currently being considered by internal audit which will report accordingly to the Audit & Risk Management Committee. There is potentially a value for money opportunity in the way in which the City Police are developing its Fraud Academy against this agenda. This is being followed up.

Income from Charging

8. This Audit Commission briefing presents a high-level analysis of councils' income from charging and the contribution it makes to service spending. It focuses on the national picture in 2011/12 (the latest year for which data is available) and trends for different types of council across broad service areas.
9. The analysis shows that there is much variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years.
10. Members will be aware that reviewing income is one of the workstreams of our Service Based Review and so this analysis will be useful. Funding reductions and rising demand for some services are likely to present some difficult choices about which services can be afforded to provide, and so the use of charging to support service expenditure or influence demand for services merits closer examination.

Business Rates

11. This Audit Commission briefing presents the Commission's analysis of English councils' collection rates and costs of collecting business rates. The Commission found that in 2012/13, councils collected £21.9 billion in business rates of £22.4 billion due. The amount collected by each council ranged from £1.3 million to £1.6 billion. Councils collect most business rates in the year they fall due, but business rates arrears are substantial and currently stand at £1.2 billion. As this local tax remains to be collected, it cannot currently be used to support the delivery of services. In 2012/13, the uncollected in-year amount was £513 million.
12. The Commission commented on the new business rates new business rates retention scheme under which councils will now be able to keep up to half of the business rates income they collect, rather than – as previously – paying it all into a 'national pool', pointing out that from 2013/14, a council's income will be directly affected by the business rates it collects. These new arrangements mean that it has never been more important for

councils to understand their local economy and associated business rates, the timeliness of their collection and outstanding arrears, and whether their approach to collection is cost effective.

13. In 2011/12, councils spent £90 million collecting business rates. Interestingly, the Commission observed that there was no statistically significant relationship between the amount councils spent on collecting business rates and what they collected.
14. The Corporation and indeed this Sub Committee has already focused attention in this area and, notwithstanding our very good performance on collection, there are steps in place to internalize the service to help drive down collection costs. Other steps to maximise business rates that the Commission says councils could take include:
 - supporting existing business to do well and attracting new businesses to the area;
 - identifying and billing all business properties with a rateable value promptly;
 - using discretionary relief in an effective way, targeting businesses most in need; and
 - Preventing and tackling fraudulent claims for relief.

Conclusion

15. There are no major issues of concern to highlight for the Sub Committee's attention. However, members are invited to identify any areas where they feel specific work should be undertaken.

Chris Bilsland
Chamberlain

T: 0207 332 1300

E: Chris.bilsland@cityoflondon.gov.uk