

Business Efficiency Board Progress and Update Report for Halton Borough Council

November 2016

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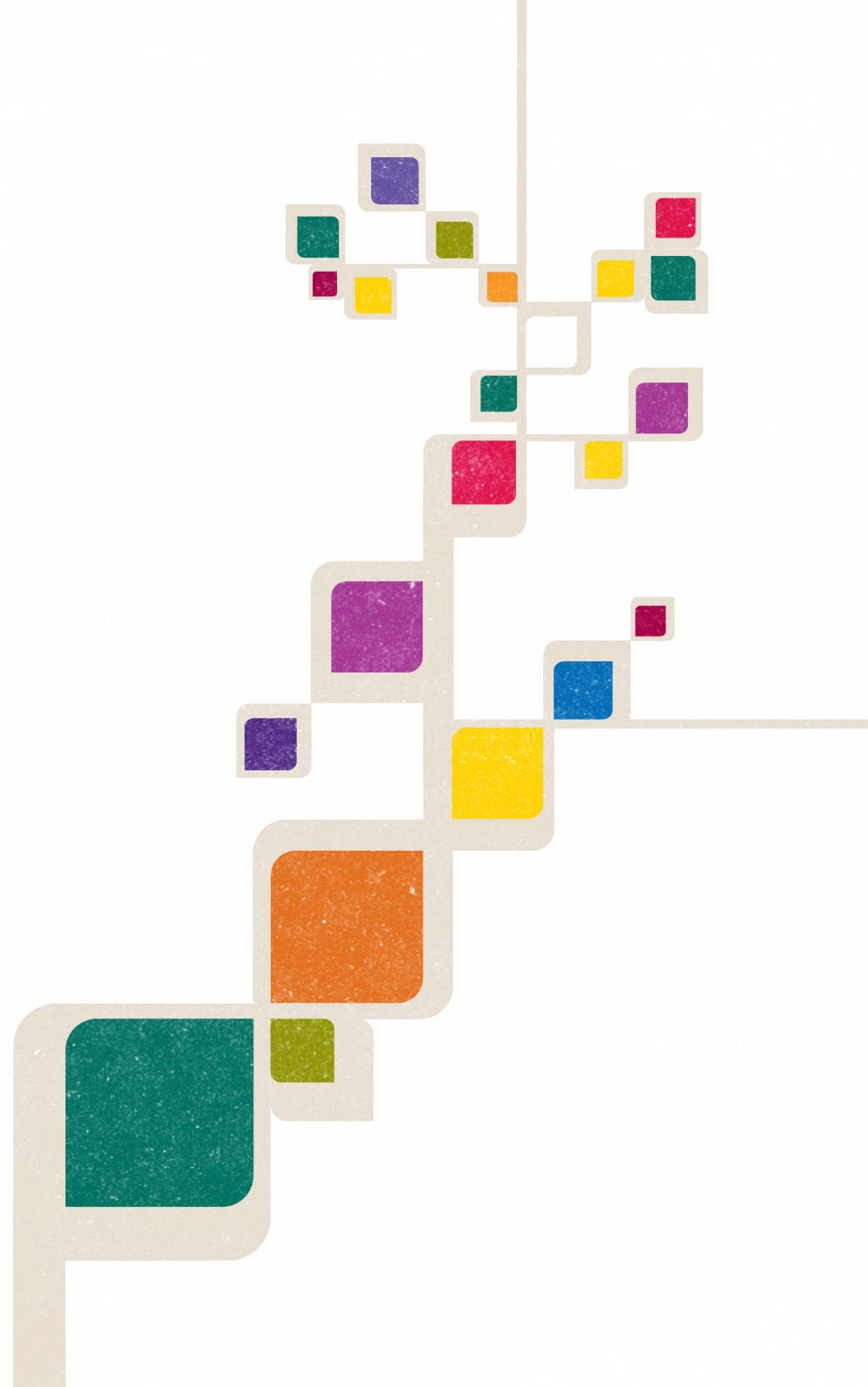
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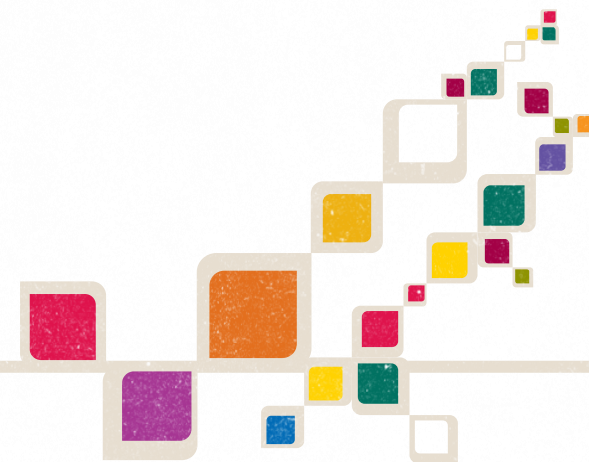
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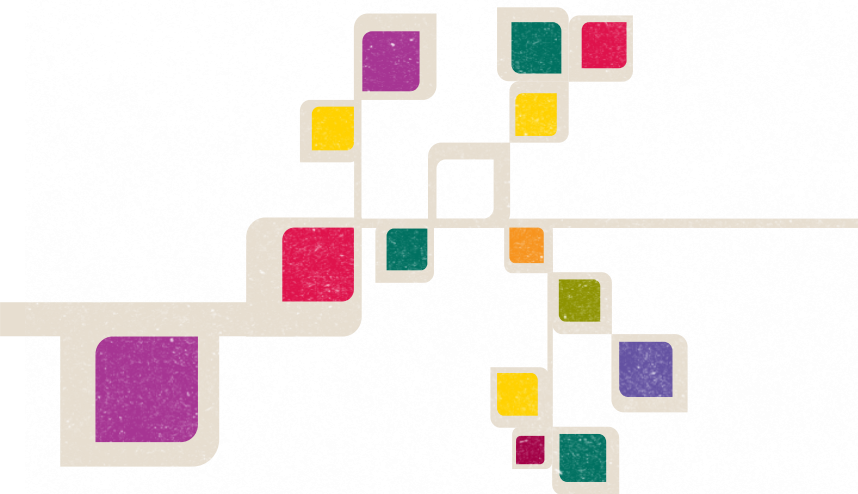
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Introduction

This paper provides the Business Efficiency Board with a report on progress in delivering our responsibilities as your external auditors.

You can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Your Generation: Making decentralised energy happen
<http://www.grantthornton.co.uk/en/insights/making-decentralised-energy-happen/>
- Culture of Place: A copy of the report and a collection of short videos can be found on our website at: <http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Members and officers may also be interested in our recent webinars:

Alternative delivery models: Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government.

<http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

Cyber security in the public sector: Our short video outlines questions for public sector organisations to ask in defending against cyber crime

<http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

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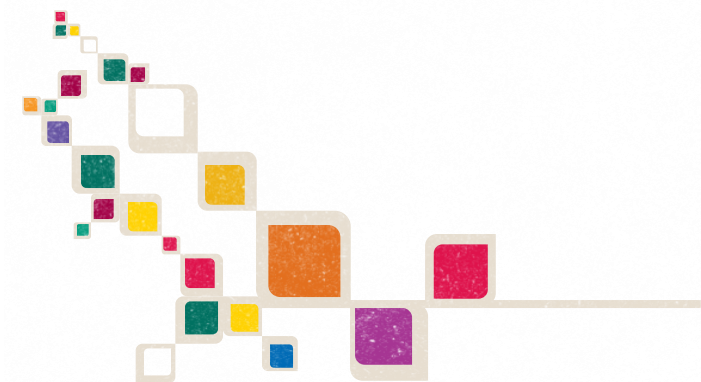
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Progress at November 2016



Progress against plan

On track



Opinion and VfM conclusion

On-going



Outputs delivered

Fee letter, Audit Plan and Audit Findings Report delivered to plan

2015/16 work	Expected Date of Completion	Comments
<p>Annual Audit Letter We are required to issue an Annual Audit Letter for 2015/16 by the end of October 2016.</p>	October 2016	The Annual Audit Letter was issued on 24 October 2016 and presented to the Executive Board on 17 November 2016.
<p>Housing Benefit Subsidy claim We are required to review and certify the claim by 30 November 2016.</p>	November 2016	We will report the results of our certification work in a separate report to the Business Efficiency Board.
<p>Other grant claim work We are currently auditing the following grant claims:</p> <ul style="list-style-type: none"> Teachers' pension Homes and Communities Agency grant Department of Transport grant <p>All grants have a deadline for certification of 30 November 2016</p>	November 2016.	We will report the results of our certification work in a separate report to the Business Efficiency Board.

Progress at November 2016



Progress against plan

On track



Opinion and VfM conclusion

On-going

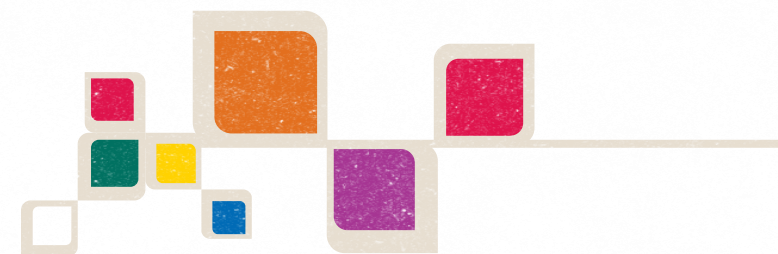


Outputs delivered

Fee letter, Audit Plan and Audit Findings Report delivered to plan

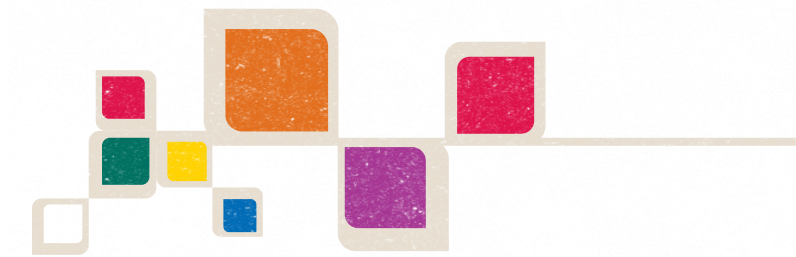
2016/17 work	Expected Date of Completion	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016.</p>	April 2016	The fee letter was sent on 7 April 2016. It confirmed the 2016/17 scale audit fee of £105,294 for Halton Borough Council.
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.</p>	June 2017	This audit plan will be presented to the Business Efficiency Board.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • Updating our review of the Council's control environment • Updating our understanding of financial systems • Review of Internal Audit reports on core financial systems • Early work on emerging accounting issues • Early substantive testing 	January – March 2017	We will continue to build our knowledge of the Council and work with officers to determine the audit work required to give you the assurance you need. Issues arising from our interim work will be set out in the Audit Plan.

Progress at November 2016



2016/17 work	Expected Date of Completion	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • Audit of the 2016-17 financial statements • Proposed opinion on the Council's accounts 	<p>July 2017</p>	<p>The Audit Findings Report will be presented to the September meeting of the Business Efficiency Board and the Auditor's Report will be given by the deadline of 30 September.</p> <p>We will be working with officers with a view to bringing forward the audit of the accounts in line with the revised deadline of 31 July with is a requirement for the 2017-18 financial statements.</p>
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>May – July 2017</p>	<p>We will carry out an initial risk assessment to determine our approach and report this in our Audit Plan. We will report our work in the Audit Findings Report and give our value for money conclusion by the deadline in September 2017.</p>
<p>Housing Benefit Subsidy claim</p> <p>We are required to review and certify the claim by 30 November 2017.</p>	<p>November 2017</p>	<p>We will report the results of our certification work in a separate report to the Business Efficiency Board.</p>

Progress at November 2016



2015/16 work	Expected Date of Completion	Comments
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Annual Audit Letter

Our Annual Audit Letter will summarise the key findings arising from the work that we have carried out for the year ended 31 March 2017.

October 2017

The Annual Audit Letter will be presented to the Executive Board at their November 2017 meeting.

Grant Thornton Sector Issues



Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

The changing face of Corporate Reporting

We have established a global network of public sector auditors and advisors to share good practice and to provide informed solutions to the corporate reporting challenges our clients face.

We were fortunate to have the CEO of the IIRC speak at our most recent meeting. Integrated Reporting (IR), is a new approach to corporate reporting and it is building a world-wide following in both the public and private sectors.

In the commercial sector, IR has led to improvements in business decision making, the understanding of risks and opportunities as well as better collaborative thinking by boards about goals and targets.

IR is based on integrated thinking that results in a report by an organisation about sustainable value creation. It requires a more cohesive and efficient approach to organisational reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

By moving the focus away from only short-term, backward looking, financial reporting, IR encourages organisations to report on a broader range of measures that link their strategic objectives to their performance. The result is an overview of an organisation's activities and performance in a much wider, more holistic, context.

- IR encourages organisations to consider whether there are any gaps in the information that is currently available to them, so that integrated thinking becomes embedded in mainstream practice.
- IR is underpinned by the International IIR Framework published in December 2013. It is principles based, allowing organisations to innovate and develop their reporting in the context of their own regulatory framework, strategy, key drivers, goals and objectives.
- IR is consistent with the Strategic Reports required from UK companies, the Performance Reports that government departments, agencies and NHS bodies produce and the developing Narrative Reporting in local government.

The IIRC has established a Public Sector Pioneer Network to consider why and how the public sector can adopt IR, with the end goal of improving transparency and building trust. There is already a core of UK organisations within this such as the World Bank Group, UNDP, the City of London Corporation, the Wales Audit Office and UK government departments.

Integrated Reporting

Further information is available on the IIRC's website

Grant Thornton Technical update





Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

Grant Thornton Publications and events



Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>



Culture of Place

Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

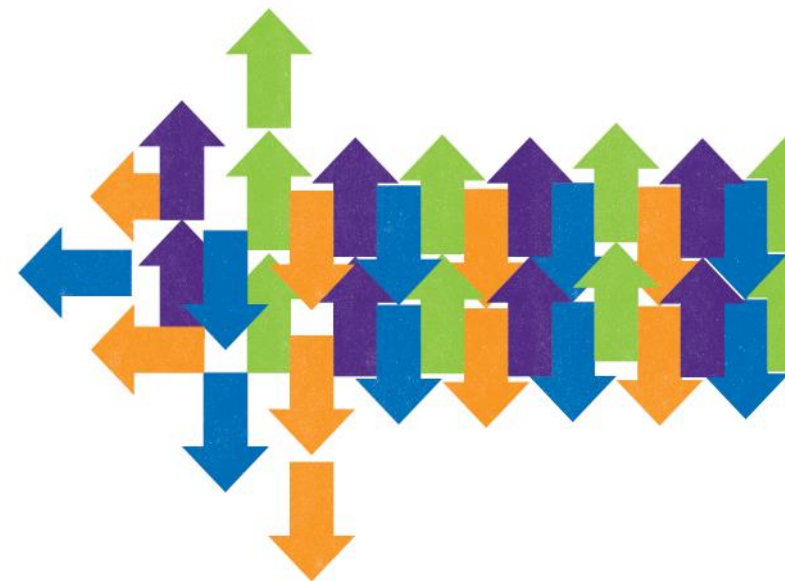
A copy of the report and a collection of short videos can be found on our website at:

<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports

Challenge question:

Is the Council familiar with this publication?



Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>



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