

# Business Efficiency Board Update

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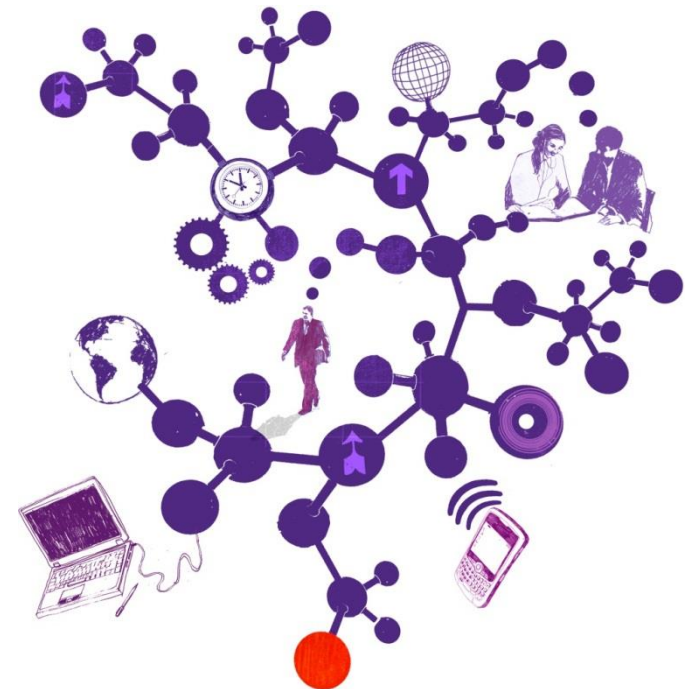
**Year ended 31 March 2015**

September 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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. The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Business Efficiency Board can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Creating a sustainable financial future, the output from our local government finance roundtable involving 34 local authority senior finance officers. They considered what funding model is needed to create a sustainable financial future for local government and to incentivise authorities to support local and regional growth.
- Easing the burden, our second welfare reform report.
- Spreading their wings: Building a successful local authority trading company, our second report on alternative delivery models in local government.
- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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# Progress at September 2015

**Progress against plan**

**on track**

**Opinion and VfM conclusion**

**all planned to be met**

**Outputs delivered**

**Fee letter, Progress Reports, Audit Plan and Audit Findings Report delivered to plan**

Audit work	Planned date	Complete?	Comments
<p><b>2014-15 Accounts Audit Plan</b> 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 2014-15 financial statements.</p>	<p>March 2015</p>	<p>Complete</p>	<p>We sent the 'Planned fee letter for 2014/15' to the Council on 24 April 2014 and presented it to the Board on 11 June 2014. The Audit Commission recently confirmed an updated scale fee of £140,392 to take into account a supplementary fee for audit work on business rates.</p> <p>The Audit Plan was presented to the June meeting of the Business Efficiency Board.</p>
<p><b>2014-15 Interim accounts audit</b> Our interim fieldwork visit including:</p> <ul style="list-style-type: none"> <li>• updated review of the Council control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	<p>December 2014 to March 2015</p>	<p>Complete</p>	<p>We have built on our knowledge of the Council following the audit last year.</p> <p>We have completed our interim work and issues arising are set out in the Audit Plan presented to the June meeting of the Business Efficiency Board.</p>
<p><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements and Whole of Government Accounts (WGA)</li> <li>• proposed opinion on the Council's accounts and WGA</li> <li>• proposed Value for Money conclusion.</li> </ul>	<p>June to September 2015</p>	<p>In progress</p>	<p>Our audit is substantially complete and our proposed Audit Report is included in the Audit Findings Report (AFR) being presented to this meeting of the Business Efficiency Board.</p>

# Progress at September 2015

Audit and certification work	Planned date	Complete?	Comments
<p><b>2014-15 Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises the two criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> <li>• The organisation has proper arrangements in place for securing financial resilience. The focus will be on whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> <li>• The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus will be on how the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</li> </ul>	January to September 2015	In progress	<p>The detailed guidance from the Audit Commission has been published on its website for the benefit of auditors and audited bodies. This includes the key areas for consideration that will be reviewed under both the criteria.</p> <p>Our audit is substantially complete and our proposed value for money conclusion is included in the Audit Findings Report (AFR) being presented to this meeting of the Business Efficiency Board.</p>
<p><b>Other areas of work 2014-15: certification work under the Audit Commission Regime</b></p> <p>Housing Benefit 2014/15- auditors continue to certify local authority claims for housing benefit subsidy to the Department for Work and Pensions (DWP) under the arrangements put in place by the Commission. It is expected that arrangements for 2015/16 onwards will be made on the same basis by Public Sector Audit Appointments (PSAA).</p>	November 2015	In progress	<ul style="list-style-type: none"> <li>• The Housing Benefit claim is in progress.</li> <li>• The Silver Jubilee Bridge and Mersey Gateway Bridge transport claims will be subject to tri-partite agreements between grant-paying bodies, auditors and audited bodies, with fees agreed locally between audited bodies and auditors (see page 7).</li> </ul>
<p><b>2015/16 Accounts</b></p> <p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015.</p>	April 2015	Complete	<p>The fee letter that was sent on 23 April 2015 was presented at the June meeting of the Business Efficiency Board. It confirmed the 2015/16 scale audit fee of £105,294 for Halton Council and an indicative grant certification fee of £6,828.</p> <p>Our planning will commence in the Autumn with the Audit Plan and any feedback on interim opinion and value for money work being fed back to the Council at the end of February 2016.</p>

# Progress at September 2015

Non-audit services work	Planned date	Complete?	Comments
<p><b>Other activity undertaken* – claims and returns 2014/15</b></p> <p>You asked us to provide a report on a number of claims that do not fall under the Audit Commission regime:</p> <ul style="list-style-type: none"> <li>independent report on Teachers' Pensions return (PEN); agreed fee £4,200</li> <li>independent report on Regional Growth Fund claim (RGF); agreed fee £3,110</li> </ul>	<p>PEN 28 November 2015.</p> <p>RGF Feb 2015 (revised date June; now Sept 2015)</p>	In progress	<ul style="list-style-type: none"> <li>Teachers' Pensions return (PEN) in progress.</li> <li>DCLG had rescheduled the deadline for the RGF claim to 15 June 2015 for submission by the Council and 30 June for the auditor's report; now been further extended by the DCLG to September 2015.</li> <li>Arrangements for transport claims will be agreed locally with the Council.</li> </ul>
<p><b>Other activity undertaken* – tax</b></p> <p>Other service lines within Grant Thornton UK LLP have undertaken Tax (Employee Solutions) work for the Council; final fee 2014/15 £6,750.</p>	By March 2015	Complete	Tax work comprises: Construction Industry Scheme training workshop; review of the tax treatment of the Council's salary sacrifice scheme; and advice relating to the Mersey Gateway Crossings project. No work agreed so far for 2015/16.
<p><b>Other activity undertaken* – VAT</b></p> <p>Other service lines within Grant Thornton UK LLP have undertaken VAT advice work for the Council; final fee 2014/15 £24,600.</p>	By March 2015	2014/15 complete. 2015/16 in progress.	VAT work included advice and queries on: the pooled budget; option to tax; Runcorn Hill Park Café; the treatment of dilapidations; s106; GPark Widnes; Assist Education. Fees agreed 2015/16, Quarter 1: £6,500.
<p><b>Other activity undertaken* - Energy and Telecommunications Cost Audit 2015/16</b></p> <p>Auditing the historical element of your electricity and telecommunications providers' supply chains for incorrect costs.</p>	By March 2016	In progress	Our Cost Audit teams are currently reviewing the historical element of your electricity and telecommunications providers' supply chains for incorrect costs to assess whether there are refund opportunities and on-going cost savings. The work is contingent fee based.

## Note re: Other activity undertaken\*

- We confirm that we are satisfied that our independence as external auditor to the Council will not be impaired by any of this additional work. The tax, VAT and cost audit work is led and undertaken by teams separate from the audit team; our work does not involve making decisions on management's behalf. The certification work is in line with certification work completed under the Audit Commission framework; the scope does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
- We are required to seek specific approval from the Audit Commission for Grant Thornton to undertake additional work over a threshold of 20% of the audit fee. We can confirm that the Audit Commission has noted our arrangements to ensure independence and approved the additional fee work noted above.

# Grant Thornton training and publications

## Grant Thornton

Grant Thornton is the appointed external auditor to around 40% of local government bodies in England, giving us an excellent insight into the key issues facing the sector and the solutions being adopted across the country. From research, meeting with key people, carrying out presentations and workshops, and attending audit committees, we find that many of the key issues raised and risks faced are common to many authorities.

### Workshops and information for local government officers:

- Officers attended our Grant Thornton / CIPFA workshops in March for preparers of accounts at local government bodies.
- We provided a local area flier setting out where Halton is rated against our national report 'Where Growth Happens', Autumn 2014.
- We provided a high level overview of Halton's economy, society and environment using Grant Thornton's Place Analytics platform.

### Grant Thornton workshops and courses for members

Grant Thornton's Midlands Local Government Audit Committee Member Network has published its programme of events for 2015. This included, for example, the February workshop on Governance Challenges and Priorities for 2015 – covering Financial integrity, reinforcing audit quality, improving information quality and focusing on assurance and Fit for Purpose following the Elections. This programme has been shared with the Chair and Vice Chair. We are also running courses for newly elected councillors. Workshops are listed below:

- **The Evolving Local Government Audit Committee Agenda:** Understanding and managing key risks – particularly in relation to saving plans, the assurance framework and alternative delivery models. Birmingham - 21 October 2015.
- **Newly Elected Local Councillors Training:** courses covering Effective governance skills and Financial governance and risk.

### Publications:

We have a programme of publications for up-to-date insight and analysis from our technical, sector and service teams – such as our December 2014 report 'Rising to the Challenge' on financial health at English local authorities and more recent publications provided to the Board:

- Creating a sustainable financial future, the output from our local government finance roundtable involving 34 local authority senior finance officers
- Easing the burden, our second welfare reform report.
- Spreading their wings: Building a successful local authority trading company, our second report on alternative delivery models in local government.
- A Guide to Local Authority accounts.

Planned publications relevant to local authorities will include the following:

- Devolution;
- Health & Wellbeing Board;
- Financial resilience; and
- Governance.



# National Audit Office

## National Audit Office publications

### **A Short Guide to the NAO's work on local authorities**

This guide is designed to provide an overview of how local government is funded, the pressures local authorities face, staffing, and major recent and future developments. August 2015.

### **The NAO's role in local audit**

The National Audit Office (NAO) has responsibilities within the framework for the audit of local public bodies. This leaflet provides information on its role, examples of recent value-for-money work focused on local services and the 2015-16 work in progress. July 2015.

### **Care leavers' transitions to adulthood**

The NAO's report concludes that the system for supporting young people leaving foster or residential care in England to live successful independent lives is not working effectively. This is despite the fact that there is a clear legal framework and an inspection regime in place. The numbers of care leavers in employment, education and training have deteriorated since 2007-08. July 2015.

### **Devolving responsibilities to cities in England: Wave 1 City Deals**

Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. This NAO report concludes it is too early to tell what impact they will have on growth. July 2015

### **Local Government New Burdens**

The National Audit Office (NAO) published its review of new burdens on local government on 5<sup>th</sup> June 2015. In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes. The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments.

### **Care Act first-phase reforms – local experience of implementation**

This report considered if the Department of Health is carrying out Phase 1 of the Care Act in a way that is likely to achieve the government's objectives and be value for money. The NAO found that the Department has managed the introduction of Phase 1 of the Care Act well. Consequently, 99% of local authorities were confident that they would be able to carry out the Care Act reforms from April 2015. However, with the level of demand so uncertain, the Department's cost estimates and chosen funding mechanisms put local authorities under increased financial risk. June 2015.

# Local Government Association (LGA)

## LGA publications

**Health and care quality systems in practice: a guide for local leaders.** 4 September 2015. This guidance has been produced in collaboration with the Centre for Public Scrutiny (CFPS) and Think Local Act Personal (TLAP) to support health and care leaders in navigating the local agencies and organisations responsible for regulating and improving the quality of health and care services.

**Tackling serious and organised crime.** 4 September 2015. This guidance is for all those in local government who have a role in making our communities safer and protecting the most vulnerable members of our communities. It is aimed at leaders and members of community safety partnerships, health and wellbeing boards and local safeguarding boards.

**Spending Smarter: A Shared Commitment.** 1 September 2015. The LGA has set out a broad range of proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment, and social care and health - all while saving the public purse almost £2 billion a year by the end of the Parliament.

**Dementia friendly communities: guidance for councils.** 4 August 2015. This guidance produced by the LGA in collaboration with the community interest company Innovations in Dementia outlines the important role of councils in supporting people with dementia by creating local dementia friendly communities and demonstrates how councils are making this happen through numerous case study examples.

**Mental Capacity Act including the Deprivation of Liberty Safeguards.** 31 July 2015. This improvement tool has been developed throughout 2014/15 with funding from the Department of Health and support from the Local Government Association (LGA) and the Association of Directors of Social Services (ADASS).

**Putting the MCA principles at the heart of adult social care.** 31 July 2015. The Department of Health (DH) recently estimated that 70 per cent of those who use social care services may lack mental capacity for some decisions. Therefore commissioners will want assurance that the services they are commissioning on behalf of their local communities are being delivered in a way that both respects and promotes the rights of vulnerable individuals.

**European and international – 2014–20: A guide to EU funding (July 2015).** 27 July 2015. The LGA has developed guidance covering over 20 funding sources of relevance including the 2014-20 European Structural and Investment Funds (ESIF).

**Beyond the school gate: Using post-16 destination measures to improve outcomes for young people.** 16 July 2015. Councils have a strong interest in how Destination Measures are being used, given their statutory duties to secure sufficient education and training provision for 16- to 19-year-olds and to support them to participate.

# Local Government Association (LGA)

## LGA publications

**Local Healthwatch Governance: a self-assessment toolkit for local Healthwatch and local Healthwatch Commissioners.** 7 July 2015. This self-assessment is designed to support local Healthwatch and local Healthwatch commissioners in establishing successful governance.

**A shared commitment: Local government and the Spending Review.** 30 June 2015. A strong partnership with local government will support the Government in tackling the significant challenge of reducing the national deficit over the period of this Parliament, while at the same time ensuring the quality front line services that the public want and need

**Making it better together: A call to action on the future of health and wellbeing boards.** 30 June 2015. The LGA and NHS Clinical Commissioners have launched their ambitious call to action and a set of proposals to local system leaders and the Government to strengthen the impact and leadership of health and wellbeing boards across the country.

**Note for adult safeguarding boards on the Mental Health Crisis Concordat.** 29 June 2015.

**Future funding outlook for councils 2019/20 – interim 2015 report.** 26 June 2015. This is an interim update of the 2014 analysis. It sets out the financial challenge faced by councils that the government needs to consider when making decisions in the July Budget and the autumn Spending Review.

**Ageing – the silver lining: The opportunities and challenges of an ageing society for local government.** 25 June 2015. This report sets out the increasing contribution to society and the economy older people can make through empowered local government and challenges the commonly-held belief that an ageing population is a burden.

**Gambling regulation: Councillor handbook (England and Wales).** 25 June 2015. The 2005 Gambling Act was a pivotal point in gambling regulation in the UK. By liberalising previous gambling legislation, it established gambling as a mainstream leisure and social activity.

**Creating a better care system. 24 June 2015.** This report consolidates the findings and conclusions as a result of significant engagement with the LGA, local leads and partner organisations. The views and ideas put forward were developed and approved with the LGA.

**Sexual health commissioning in local government.** 9 June 2015. These nine case studies showcase local government experience of commissioning sexual health services since taking over this responsibility in April 2013.

**English devolution: local solutions for a healthy nation.** 9 June 2015. This publication captures the thoughts of councillors, directors of public health, providers, commissioners, academics and other key opinion formers, on the challenges and opportunities devolution could bring in terms of improving the public's health.



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