



Business Efficiency Board

**Wednesday, 23 November 2016 at
6.30 p.m. Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink that reads 'David W R'.

Chief Executive

BOARD MEMBERSHIP

Councillor Martha Lloyd Jones (Chair)	Labour
Councillor Joe Roberts (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Arthur Cole	Labour
Councillor Chris Loftus	Labour
Councillor Alan Lowe	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor John Stockton	Labour
Councillor Andrea Wall	Labour

Please contact Angela Scott on 0151 511 8670 or e-mail angela.scott@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 1 February 2017

**ITEMS TO BE DEALT WITH
IN THE PRESENCE OF THE PRESS AND PUBLIC**

Part I

Item No.	Page No.
1. MINUTES	
2. DECLARATION OF INTEREST	
Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
3. EXTERNAL AUDIT UPDATE REPORT	1 - 20
4. PROCUREMENT STRATEGY 2016-19 - PROGRESS REVIEW	21 - 32
5. PROCUREMENT STRATEGY - EXTERNAL AUDITOR	33 - 37
6. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	

PART II

In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is **RECOMMENDED** that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

7. INTERNAL AUDIT PROGRESS REPORT	38 - 103
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In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

REPORT TO:	Business Efficiency Board
DATE:	23 November 2016
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
PORTFOLIO:	Resources
SUBJECT:	External Audit Update Report
WARDS:	Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 The purpose of the report is for the Council's external auditors, Grant Thornton, to update the Board on progress made in delivering their responsibilities as the Council's external auditors and to provide a summary of emerging national issues and developments which may be relevant to the work of the Board.

2.0 RECOMMENDATION: That the report be noted.

3.0 SUPPORTING INFORMATION

Grant Thornton will attend the meeting to present the report shown in the Appendix.

4.0 POLICY IMPLICATIONS

None

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising directly from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

None.

6.2 Employment, Learning and Skills in Halton

None.

6.3 A Healthy Halton

None.

6.4 A Safer Halton

None.

6.5 Halton's Urban Renewal

None.

7.0 RISK ANALYSIS

This report is for information only. There are no risks arising from it.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues arising from this report.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act

Business Efficiency Board Progress and Update Report for Halton Borough Council

November 2016

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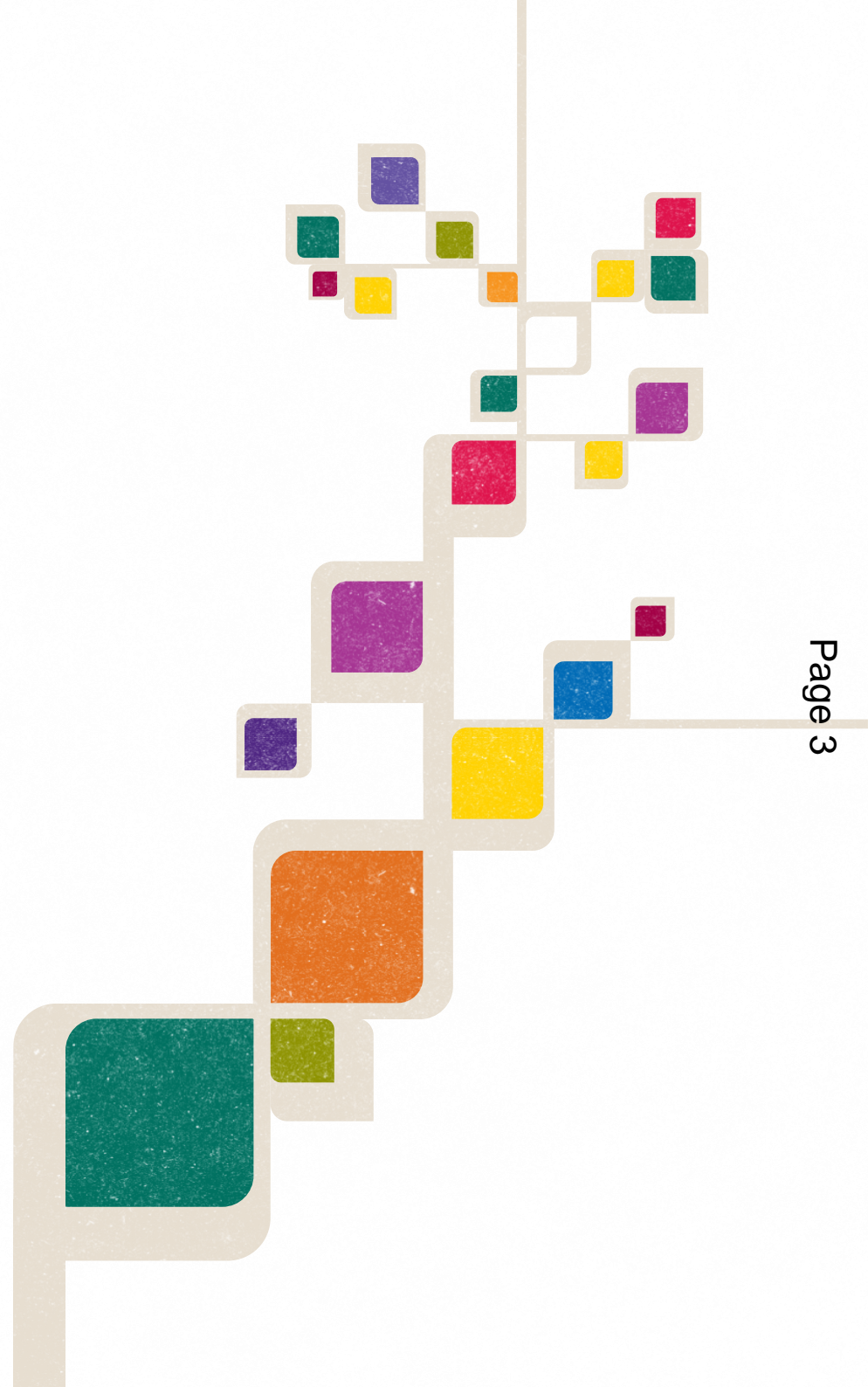
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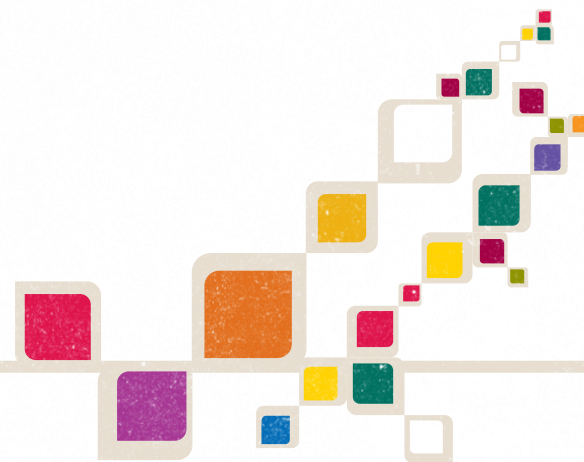
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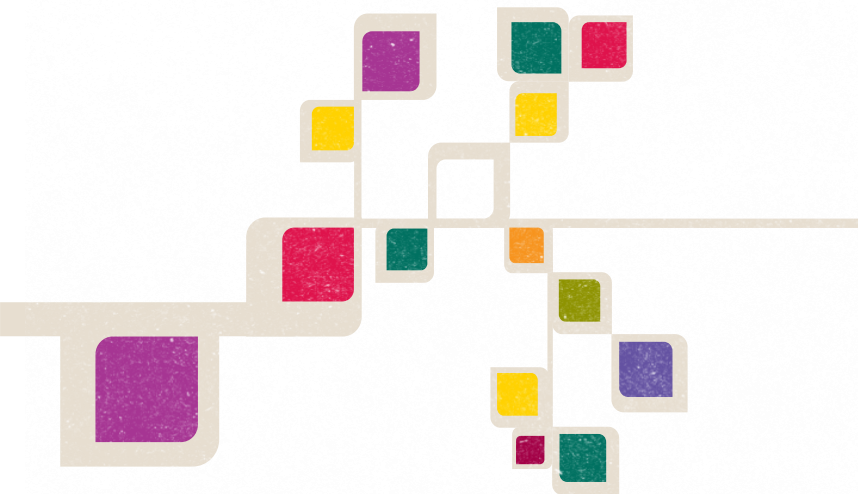
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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.

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.

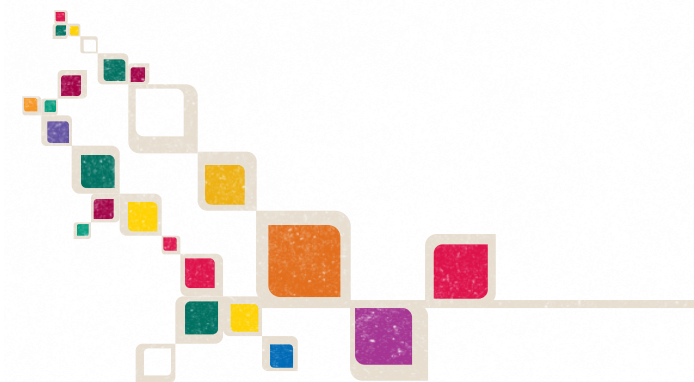
<http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

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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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

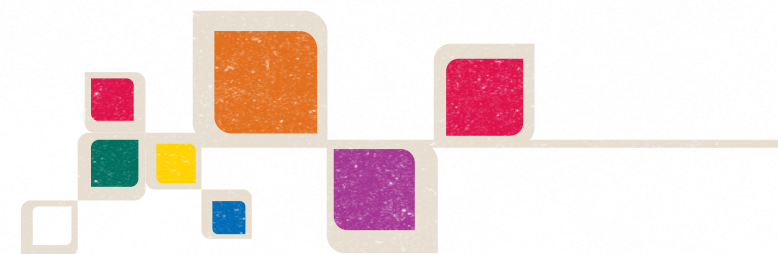


Outputs delivered

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

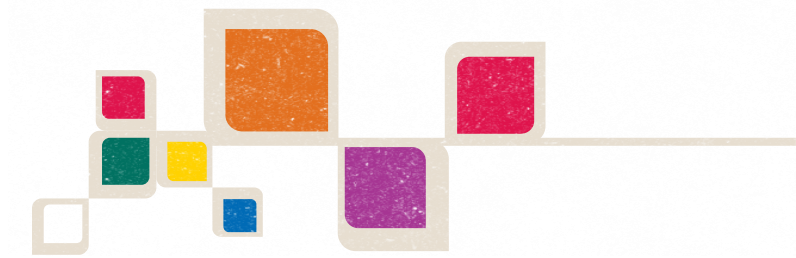
2016/17 work	Expected Date of Completion	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016.</p>	April 2016	The fee letter was sent on 7 April 2016. It confirmed the 2016/17 scale audit fee of £105,294 for Halton Borough Council.
<p>Accounts Audit 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.

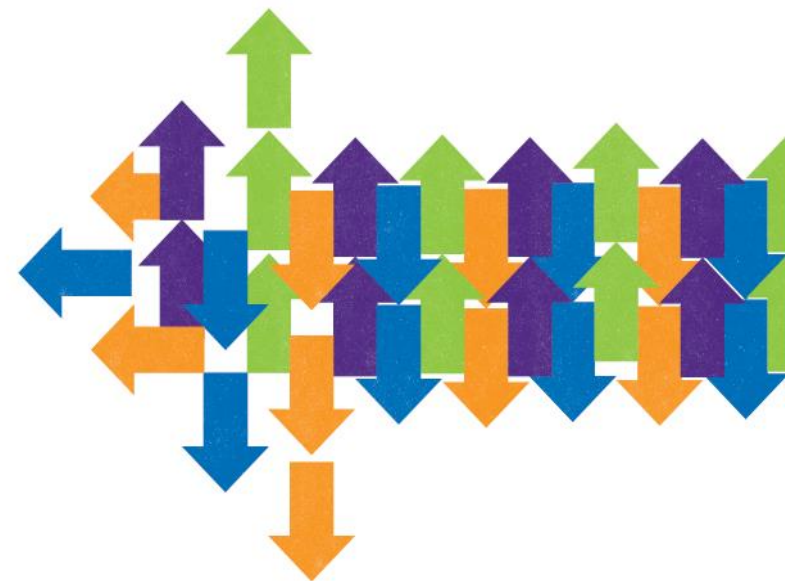
- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission 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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REPORT TO: Business Efficiency Board

DATE: 23 November 2016

REPORTING OFFICER: Strategic Director – Enterprise, Community & Resources

SUBJECT: Procurement Strategy 2016-19 – Progress Review

1.0 PURPOSE OF THE REPORT

1.1 To present an update on progress with delivery of the Council's Procurement Strategy 2016-19 as at 31st October 2016.

2.0 RECOMMENDATION: That progress with delivery of the Council's Procurement Strategy 2016-19 as set out in the report, be noted.

3.0 SUPPORTING INFORMATION

3.1 The Council's Procurement Strategy 2016-2019 was approved by the Board in June 2016. The Strategy follows the format commended by the Local Government Association's "National Procurement Strategy for Local Government in England 2014". This is underpinned by four key areas:

- Making Savings
- Supporting Local Economies
- Leadership
- Modernising Procurement

3.2 Appendix 1 presents progress as at 31st October 2016, with delivery of the Procurement Strategy in each of these four areas and the fourteen sub-areas contained within them, along with a Red, Amber, and Green rating of their current status.

3.3 The Council has made significant progress over the past few years, in terms of ensuring procurement is recognised as a strategic function, operates across the whole organisation and delivers cash savings and cost reductions. As a result the Council has received a number of national awards and gained recognition as finalists in two further award events during 2016. Halton's risk based model of procurement is seen as being at the forefront nationally, for its development and delivery of a high performing, streamlined, and efficient approach to procurement.

3.4 The Public Services (Social Value) Act 2012 requires public authorities to have regard to economic, social and environmental wellbeing in connection with public services contracts within the meaning of Public Contract Regulations 2015. Halton has embraced this requirement by placing Social Value into all its procurement activities, where relevant and proportionate.

- 3.5 In June 2015 the Council approved a Social Value Framework for Procurement, underpinned by a Charter and Policy. This has been utilised to date in 24 procurement exercises, the outcomes of which are outlined in Appendix 2.
- 3.6 During the past few months, Halton has been heavily involved in the development of the National Social Value Toolkit, alongside the Cabinet Office and a number of public sector bodies, which was launched on 13th September 2016.
- 3.7 The Council's contribution nationally to the development of social value improvement through procurement was recognised at the recent Northern Enterprise Conference. Halton's approach has also been referenced in the following national publications;
- Social Enterprise UK – “The Social Value Difference in Health and Care Commissioning” (Halton was one of the first pilots of the national programme working with Halton Clinical Commissioning Group, SEUK, Institute of Voluntary Action Research and the Department of Health).
 - Social Value Portal – “Bridging the Gap” – A Good Practice Guide for Making the Most of the Social Value Act (This publication links to the Social Value Toolkit).
 - Bate, Bells and Braithwaite (Legal Practice) “The Art of the Possible – Public Procurement”.
- 3.8 Halton continues to work with neighbouring councils and Halton CCG, providing direct procurement support, training, peer-reviews and leadership in delivering commercial procurement improvement.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Procurement Division delivers improved procurement practices across the Council, to reduce costs associated with undertaking procurement, but also to realise significant savings from more robust procurement activity. This helps to secure funding towards delivery of all of the Council's priorities.

7.0 RISK ANALYSIS

7.1 Given the financial pressures facing the Council, implementation of the Procurement Strategy will help to identify and realise savings from more robust procurement practices and will also protect the Council from challenges to its procurement activities.



8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.




9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972




9.1 There are no background papers under the meaning of the Act.

Procurement Strategy 2016-19 – Progress as at 30th October 2016



Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 th October 2016
Making Savings	Category Management		<ul style="list-style-type: none"> • Maximising the value of spend • Using standard specifications • Spend and supplier analysis • Holistic approach across the organisation • Regional approach across LCR 	<ul style="list-style-type: none"> • Full category management approach deployed across the whole team. Maintain this approach by using standard specifications and continue to analyse spend and supplier data. 	<ul style="list-style-type: none"> • Implemented and being maintained.
	Contract Management		<ul style="list-style-type: none"> • Define category management roles for Procurement and client departments/ checklist • Demonstrate the effectiveness from contracts (terms & conditions) • Develop supplier relationships to maximise outputs from contracts • Increase on-contract spend (reduce maverick spend) • Spend visibility • Contract register – contract visibility • Don't 'let and forget' • Commercial procurement approach • Apply Supplier Relationship Review ie. contract re-negotiation 	<ul style="list-style-type: none"> • Checklist established and deployed • Supplier Relationship Review impact • KPIs delivery • Added value (rebates gained etc.) 	<ul style="list-style-type: none"> • Need to record and monitor cost avoidance from improved contract management - work in progress.

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 th October 2016
	Partnering and Collaboration	?	<p>Development of an LCR Procurement ‘virtual hub’ where partners will work together in a more structured and planned way to secure economies of scale through procuring together as contracts expire.</p> <p>This is a pilot project and will provide evidence of how the concept delivers in order to consider a shared service relationship in the future.</p> <p>The basis of commencement is to ensure:</p> <ul style="list-style-type: none"> • Achievement of savings and benefits • Deliver economies of scale • Maximise opportunities • Secure performance • Provide functional resilience <p>Which include the consideration of:</p> <ul style="list-style-type: none"> • Full category management • An overarching strategy • Clear defined targets • Formal agreement between partners • Commitment to ‘one way’ processes and practices <p>Wider consideration needs to include:</p> <ul style="list-style-type: none"> • SME and VCSE engagement • Contract award to LCR • Social Value gains in LCR 	<ul style="list-style-type: none"> • Collaborative activities • Savings • Process Efficiencies • SME, VCSE engagement • Social Value gains • KPIs/Targets to be set by the project board. 	<ul style="list-style-type: none"> • Halton’s Head of Procurement nominated as project lead. • Support provided from Halton’s Procurement Team. • Project group formed from all partner organisations • Contract data collated across 6 partners via the Chest. • Cleansing activity undertaken to reduce contract data set to: <ul style="list-style-type: none"> - contracts expiring during 2017 - categories of spend reduced from 158 to 82 - resulting cleansed value £296m - 339 individual contracts Net steps; • Selection of 6 pilot categories to procure collaboratively • Social Value assessed across the 6 partners to try and establish a ‘one way’ approach across LCR

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 th October 2016
	Performance monitoring and Transparency		<ul style="list-style-type: none"> • Effective by sharing commercial and performance data • Compliance with the Transparency code • Built in risk and evaluation assessment • Open up markets for local, SMEs and VCSE's to run services or manage assets 	<ul style="list-style-type: none"> • Compliant with Transparency Code • Commitment to all spend via Chest above £1K 	<ul style="list-style-type: none"> • Implemented and being maintained
	Demand Management		<ul style="list-style-type: none"> • Reduce overall costs • Reduce oversupply • Supply and demand – relevant and proportionate 	<ul style="list-style-type: none"> • All procurement via procurement team over £1K and Chest. • Procurement part of the commissioning process. • Category management in place to allow review and scrutiny of spend across the whole Council 	<ul style="list-style-type: none"> • Visibility of spend, scrutiny, challenge and control maintained.
	Risk Management		<ul style="list-style-type: none"> • Identify and reduce fraudulent procurement practices (pre and post procurement and through supply chain) • Pre procurement controls • Post procurement (contract management) • Supplier relationships • Supply chain 	<p>All procurement over £1K go via the procurement team and Chest.</p> <ul style="list-style-type: none"> • 'Funnel' – captures orders without a contract to allow intervention. • Segregation of role from commissioners/buyers • Review to check spend is as procured • Contract register linked to Agresso • New supplier setup managed by Procurement Team • Accounting codes tied to contracted suppliers 	<ul style="list-style-type: none"> • Implemented and being maintained.

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 th October 2016
Supporting Local Economies	Improving access for SME's and VCSE's		<ul style="list-style-type: none"> • Chest registration • Transparency of opportunity • Innovation • Supply chains • KPI monitoring via contract management 	<ul style="list-style-type: none"> • Chest registration: Currently 875 local business registered (279 in July 2011) • SME's with a contract 2014/15: 87% • SMEs with a contract 2015/16: 87% • Halton local spend – 13/14 20% and 25% 15/16. 	<ul style="list-style-type: none"> • Chest Registration - Chest system upgrade at the time of reporting therefore no data available for this report. <p>Due to be reported June 2017 (12 month statistic):</p> <ul style="list-style-type: none"> • SMEs with a contract 16/17. • Halton local spend 16/17.
	Economic, Environmental and social value criteria in all contracts		<ul style="list-style-type: none"> • Drive into all procurement where appropriate and proportionate. • Ensure SV features as part of the selection and award criteria. • Contract Management function to capture outcomes. 	<p>Measures as at March 2016. Planned activity:</p> <ul style="list-style-type: none"> • Training for BEB 2016 • Further training across the Council 2016 • Apply SV to all procurement where appropriate and in a proportionate manner. • Capture a sample of SV gains. • Develop metrics to convert the SV gains/£ 	<ul style="list-style-type: none"> • See Appendix 2 for Social Value opportunities and achievements • Training for BEB 23rd November 2016.
Leadership	Commitment from the top		Councillor Champion Driver to implement Policy	<ul style="list-style-type: none"> • In place (Cllr Wharton – Resources Portfolio Holder) • Reporting to BEB Bi-Annually. 	<ul style="list-style-type: none"> • On-going • Bi-Annual reporting to BEB

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 th October 2016
	Commissioning	✓	Procurement and Commissioners working adopting aligned practices	<ul style="list-style-type: none"> Procurement seen as part of the commissioning process 	<ul style="list-style-type: none"> Relationships developed
Modernising Procurement	Commercialisation and Income Generation	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="background-color: #90EE90; border: 1px solid black; padding: 2px; margin-bottom: 2px;">✓</div> <div style="background-color: #FFFF00; border: 1px solid black; padding: 2px;">?</div> </div>	<ul style="list-style-type: none"> Commercial training for officers. Realise benefits from all funding streams. Income generation from contracts. 	<ul style="list-style-type: none"> Category management drives aggregation and allows us to maximise benefits from all funding streams – more regional collaborative procurement with partners will enable this on an LCR 'footprint' Contracts are continuing to be 'commercialised' and gains captured and monitored as part of the contract management function. E.g. rebates/ shared gains with partners or contractor. Work in progress. 	<ul style="list-style-type: none"> Training scope being developed (LGA/YPO) – No further information to date? Example gains from contract management to be reported - reporting/collating of data not yet in place. (Category Managers work in progress).
	Supplier Innovation	?	<ul style="list-style-type: none"> Use more outcome based specifications to allow innovation. Pre-procurement market engagement 	<ul style="list-style-type: none"> A relatively new concept and one which is being developed where appropriate. Deliver more market engagement at the pre procurement stage. Monitor the impact and gains from this in terms of VFM (price and quality) Report SV gains. 	<ul style="list-style-type: none"> Impact and measurement of gains recording method not yet in place. Early stages of development.

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 th October 2016
	e-Procurement		<ul style="list-style-type: none"> • Chest use – open competition • E-invoicing – scan and data capture • Improving early payment options – accelerated payments • Information access – audit trail • Improving cash-flow for suppliers 	<ul style="list-style-type: none"> • We push all spend above £1K through the Chest. We actively encourage and support registration. • We offer e-invoicing through the contract. • Halton has an Early Payment Scheme in place 	<ul style="list-style-type: none"> • On-going
	New EU Directives (2015)		Ensure the application of PCRs2015 make processes quicker, simpler and less costly to run.	<p>Full compliance in place.</p> <ul style="list-style-type: none"> • Training across the Council planned May 2016. <p>Our processes in Halton BC were streamlined ahead of the PCR 2015. Two ways of working – above EU and below (Risk Based sourcing). Efficiencies have been significantly delivered to date and can be evidenced by the reduction in head-count in the procurement division.</p>	<ul style="list-style-type: none"> • Deliver training – across the Council to bespoke groups. • Circulated email updates to all HBC on PCRs 2015.

Procurement Opportunities Containing Social Value

	Contract	Above EU	Below EU	Annual Value £*	Contract Term	Local Provider	SME	Social Value Weighting
1	Property Consultancy	✓		350,000	3+1		✓	3.0%
2	Security Services (1) <i>terminated to be replaced with 21</i>	✓		750,000	3+1	✓		1.8%
3	Specialist Youth Treatment Services	✓		195,000	2+3			5.0%
4	Floating Support Services	✓		400,000	5		✓	4.0%
5	Housing Support Service for Single Homeless People Brennan Lodge (1) <i>terminated to be replaced with 20</i>	✓		224,000	3+1+1			4.0%
6	Corporate Print and Design Services	✓		60,000	2+2			5.0%
7	Supported Accommodation for Vulnerable Adults (<i>Framework there will be several providers</i>)	✓		4,500,000	3+1			5.0%
8	Youth Provision	✓		950,000	3+2			5.0%
9	Housing Related Support for Grangeway Court	✓		800,000	5		✓	8.0%
10	Housing Related Support for Halton Lodge YMCA	✓		1,400,000	2+1+1		✓	8.0%
11	School Nursing Service	✓		1,000,000	4			4.0%
12	Level 3 Healthy Weight Management Services	✓		200,000	3+2			5.0%
13	Early Help, Employment, Debt and Benefits Advice Service		✓	66,000	3.5	✓	✓	20.0%
14	Specialist Substance Misuse Service for Adults	✓		1,500,000	4			4.0%
15	Domestic Abuse Service for Children and their Families	✓		160,000	1+1+1			5.0%
16	U8 Play Services for Disabled Children		✓	8,500	1	✓	✓	10.0%
17	Property Term Maintenance Lot 1 Lot 2 Lot 3	✓		1,630,000 180,000 800,000 650,000	3+1			2.0% 2.0% 2.0%
18	SEND Mediation, Disagreement and Resolution Services		✓	15,000	2		✓	5.0%
19	Group Mindfulness Life Coaching		✓	40,000	1		✓	10.0%
20	Housing Related Support Brennan Lodge (2)	✓		325,102	2+2			4.0%
21	Security Services (2)	✓		465,000	3+1			2.0%
22	SLT (Communication)	✓						
23	Waste Reception (10 Lots)	✓		500,000	2+2			5.0%
24	Children's Rights and Advocacy and Independent Visitors	✓						
	Average Weighting							6.0%

*Indicative Values Note items 21-24 - tenders/opportunities currently progressing

SOCIAL VALUE ACHIEVEMENTS

Indicators	Nov-15	Jan-16	Apr-16	Jul-16	Totals
Work Placements created including Social Work	6	14	5	5	30
Employment opportunities created and or secured	13	25	14	25	77
Work Placement days	232	65	54	48	399
Apprenticeship Opportunities		2	1	1	4
Sponsorships provided in the Borough		6	1	***	7
Individuals with disabilities securing employment	0	2	1	***	3
Welfare Rights surgeries provided	15	15	0		30
Young people receiving First Aid Training	37	22	61	59	179
Young people recruited into service providers	8	0	0	0	8
Local businesses providing either work experience, legal advice and or customer services training		8	12	*	20
Volunteers in recovery providing support to schools		15	18	4	37
Activity programmes including lifestyle, housekeeping and service user participation		41	54	*	95
Volunteer befrienders trained		4	5	*	9
Additional Income secured for Halton Floating Support Service Users	£73,583	£44,240	£30,848	£25,136	£173,807
Money deployed for Halton service users from a providers Emergency Fund	£465	£336	£135	£0	£936
Service users benefiting from a providers Emergency Fund	11	87	4	0	102
Investment Pledge for Halton Communities		£3,007.00	£3,508.89	***	£6,515.89
Winter Warmth Packs provided**		45			45
Christmas Packs provided**		37			37
Organised Community Events**		1			1

Indicators	Nov-15	Jan-16	Apr-16	Jul-16	Totals
Local schools supported with careers advice and mock interviews	4	0	0	***	4
Senior staff management hours donated to support local community groups and partnerships		91	72	65	228
Volunteering opportunities created for parents with young children to increase employability		2	2	3	7
"Shopping on a Healthier Budget" sessions provided		4	3	2	9
Additional income secured for Halton families to help reduce child poverty		£78,006	£57,760	£45,000	£180,766
NEW - local community venues being utilised by providers				1 (8 times)	8
NEW - Volunteers created and trained				4	4
NEW - safe storage of medicines lock boxes provided to local residents				41	41
NEW - Volunteer health champions recruited and trained to provide peer support				2	2

** Seasonal only

* Contract Terminated

*** Outstanding reports

REPORT TO: Business Efficiency Board

DATE: 23 November 2016

REPORTING OFFICER: Operational Director – Finance

SUBJECT: Procurement Strategy – External Auditor

PORTFOLIO: Resources

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1. This report summarises the changes to the arrangements for appointing external auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 1.2. The Council will need to consider the options available and put in place an appropriate procurement strategy in time to make an appointment by 31 December 2017.

2.0 RECOMMENDATION: That Council be recommended to opt into the sector-led procurement of external auditors that will be undertaken by Public Sector Audit Appointments Limited (PSAA).

3.0 BACKGROUND

- 3.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
- 3.2 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is managed by PSAA. The PSAA is an independent, not-for-profit company limited by guarantee, established by the Local Government Association.
- 3.3 The transitional arrangements for the Council's external audit will expire at the end of the 2017/18 accounts. The Council will then assume responsibility for the local appointment of its auditor. Alternatively, the Council can opt into arrangements to have the external auditor appointed on its behalf.
- 3.4 The scope of the audit will still be specified nationally. The National Audit Office (NAO) is responsible for writing the Code of Audit Practice, which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, as they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.

4.0 OPTIONS FOR THE LOCAL APPOINTMENT OF EXTERNAL AUDITORS

4.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014:

Option 1 - To make a stand-alone appointment

4.2. In order to make a stand-alone appointment the Council would need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees excluding current and former elected members (or officers) and their close families and friends. The panel must also be chaired by an independent member. This means that elected members would have limited input to assessing bids and selecting the auditor.

Advantage/benefit

- Setting up an Auditor Panel allows elected members to have some input to the appointment decision.

Disadvantages/risks

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and allowances
- The Council would not be able to take advantage of the economies of scale available through joint or national procurement contracts, which would be likely to result in lower fees.
- The assessment of bids and the decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements

4.3. The Act also enables the Council to join with other authorities to establish a joint Auditor Panel. Again this would need to be constituted of wholly or a majority of independent appointees. The Council would also need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- The costs of setting up the Auditor Panel, running the bidding exercise and negotiating the contract could be shared across a number of authorities.
- There is greater opportunity for achieving lower fees by being able to offer a larger combined contract value.

Disadvantages/risks

- The decision making body will be further removed with less potential for input from elected members.

- There may also be increased risk of independence issues arising where an auditor has recently, or is currently, carrying out work for one of the participating organisations. This would prevent the audit firm from being eligible to act as auditor for that organisation and would necessitate that organisation having to make a separate appointment.

Option 3 – Opt into a sector-led procurement arrangement

- 4.4. Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act) and the Local Audit (Appointing Person) Regulations 2015. This means that PSAA will make auditor appointments to relevant principal local government bodies that choose to opt into the national appointment arrangements being developed. Opted-in arrangements will be for a compulsory specified period, currently indicated to be for three or five years.

Advantages/benefits

- The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
- A sector-led approach allows for the negotiation of contracts with the audit firms on a national basis thereby providing the most economic and efficient approach to procurement. By offering large contract values the firms are likely to be able to offer lower fees.
- Any conflicts at individual authorities would be managed by the PSAA who would have a number of contracted firms to call upon.
- The PSAA would act in the collective interests of all the 'opt-in' authorities.

Disadvantages/risks

- Elected members will have less opportunity for direct involvement in the appointment process other than through the PSAA and/or stakeholder representative groups. However, the PSAA will consult an individual authority about any proposed auditor appointment.
- The success of a sector-led approach would be dependent on the level of uptake. It is however understood that around 270 councils and local bodies have expressed an interest in joining the national scheme which the PSAA is developing.

5.0 THE WAY FORWARD

- 5.1 The Council has until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 5.2 The date by which principal local government bodies will need to opt into the appointing person arrangement is not yet finalised. The PSAA aims to award contracts to audit firms by June 2017, giving six months to consult on appointments

with authorities before the 31 December 2017 deadline. PSAA anticipate that invitations to opt in will be issued before December 2016.

- 5.3 The PSAA option offers economic benefits from a far larger procurement exercise and reduced procurement and management overheads. It is expected that these advantages would outweigh any potential benefits arising from increased engagement in the process by establishing an Auditor Panel.

6.0 FINANCIAL IMPLICATIONS

- 6.1 Current external audit fee levels are likely to increase when the current contracts end in 2018. The Council's external audit fee for the audit of the 2015/16 financial statements was £112,752.
- 6.2 Establishing a local or joint Auditor Panel outlined in options 1 and 2 would incur additional costs. These costs would include the cost of recruiting independent appointees, servicing the panel, running a bidding and tender evaluation process, letting the contract, and paying members' fees and allowances.
- 6.3 Opting into the PSAA sector led approach provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement. It would also remove the costs associated with establishing and maintaining an Auditor Panel.

7.0 LEGAL IMPLICATIONS

- 7.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment, including that the authority must consult and take account of the advice of its Auditor Panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.
- 7.2 The Local Audit (Appointing Person) Regulations 2015 require that a principal authority may only make the decision to opt into the appointing person arrangement by the members of the authority meeting as a whole.
- 7.3 If the Board determines to recommend that the Council opts into the PSAA sector-led arrangement formal approval must be sought from full Council.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

8.1 Children and Young People in Halton

There are no specific implications for any of the Council's priorities.

8.2 Employment, Learning and Skills in Halton

See 8.1

8.3 A Healthy Halton

See 8.1

8.4 A Safer Halton

See 8.1

8.5 Halton's Urban Renewal

See 8.1

9.0 RISK ANALYSIS

9.1 The appointment of a robust external auditor is an important decision as high quality, independent audit is one of the cornerstones of public accountability, providing assurance that taxpayers' money has been well managed and properly expended. It also inspires trust and confidence in the organisations and people responsible for managing public money

9.2 Early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

9.3 The recommended option is that the Council opts into the sector led procurement to be undertaken by PSAA. Risk in regard to the appointment of the auditor is to be managed by PSAA only contracting with firms that have a proven track record in undertaking public audit work.

10.0 EQUALITY AND DIVERSITY ISSUES

None

11.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None

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of the Local Government Act 1972.

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