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<b>REPORT TO:</b>	<b>AUDIT SUB COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>2nd APRIL 2014</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/live files/grant Thornton/interim audits/audit committee update March 2014
<b>SUBJECT:</b>	<b>AUDIT COMMITTEE UPDATE YEAR ENDING 31 MARCH 2014</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 01</b>

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## **1.0 Recommendations**

- 1.1 That the report is considered and noted.
- 1.2 That any emerging issues requiring an update are identified and are subject to a future report to the Committee.

## **2.0 Purpose of Report**

- 2.1 The attached report from the Council's External Auditors, details progress on delivering their responsibilities for 2013/14. This includes an update on interim accounts work, together with:
  - A summary of emerging national issues and developments that may be relevant to the Council.
  - A number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

## **3.0 Detail**

- 3.1 The Auditors' report details a number of issues which focus on what local councils should address in the current financial climate, together with legislative changes in areas such as welfare reform, pensions and audit.
- 3.2 It is considered that the Council is addressing these issues where they apply; this report provides the opportunity for the Committee to check that the Council has the appropriate frameworks in place. In doing so, it may wish to

request a report back on any issue where greater detail is required. A summary of the issues and the Council's position is provided below.

### **Audit Commission Research – Tough Times 2013**

- 3.3 This report focused on how councils were dealing with current financial challenges and the degree to which councils were financially resilient.
- 3.4 As reported to the Council during the latest budget round, the Council's own finances show a balanced budget for the 2 years of 2013/14 and 2014/15, a sustainable medium-term position, with a track record of delivering savings - £1.5m since 2010.

### **Local Audit and Accountability Act**

- 3.5 This received Royal Assent on 30<sup>th</sup> January 2014. Amongst other things, the Act makes provision for the closure of the Audit Commission in March 2015 when local councils will take responsibility for appointing their own Auditors. It is anticipated that this will commence in 2016/17 or 2019/20 if current arrangements are extended.
- 3.6 It is anticipated that specific reports will be presented to the Committee over the next year or so as the exact timetable and details are released.

### **Final Local Government Finance Settlement 2014/15**

- 3.7 This was considered by the Council in January and February 2014 as part of the budget round and update of the MTFP.

### **Help for House Building**

- 3.8 This is being considered as part of a package of funding measures to deliver the Council's New Build programme, which is being monitored by the Housing and Finance Committees.

### **2016 Tipping Point? Challenging the Current**

- 3.9 This report, produced by Grant Thornton, assesses whether councils have the arrangements in place to ensure their sustainable financial future. This includes a good practice checklist which tests the degree to which councils comply against a range of measures.
- 3.10 Measures are grouped into the following categories:
- Key indicators of financial performance
  - Strategic financial planning
  - Financial governance
  - Financial control

- 3.11 There are approximately 40 measures in total. Of these, the Director of Finance has assessed that 38 are met satisfactorily. The remaining 2, i.e. the use of a working capital ratio as a financial indicator and greater use of benchmarking of costs when setting budgets, will be reviewed during 2014/15.
- 3.12 The report also provides case studies from other authorities. Having reviewed these studies, the Director of Finance considers that several areas of good practice are already adopted by the Council. The one tool that the Council has previously not used is what is called Priority Based Budgeting.
- 3.13 This entails formal consultation with local residents and other stakeholders who inform the Council of priorities and where to allocate limited resources. For example, some councils have used this approach to identify revenue savings required to fill a funding gap. Effectively the public are asked to make choices between reduced services, increased service charges or increasing Council Tax.

### **Alternative Delivery Models in Local Government**

- 3.14 This is a further report by Grant Thornton which outlines other methods of delivering services through collaboration, partnerships, outsourcing and multi sector working, etc.
- 3.15 The Council has in recent years used a variety of these methods following service reviews. This has followed a full options appraisal and consideration of a business case which is tailored to the needs of each service area; this framework is established in service reviews.

### **Welfare Reform**

- 3.16 In addition to the implementation of the Local Council Tax Support Scheme in April 2013, the impact of the wider welfare reform locally has been regularly reported to the Council. As reported to the Finance and Management Committee in December 2013, details of the implementation of Universal Credit and its specific impact on the Council are anticipated over the next year or so.

### **Property, Plant and Equipment Valuations**

- 3.17 The Accounting Code of Practice has clarified requirements regarding valuation of assets for inclusion in the Financial Statements. No changes to the Council's accounting policy are required as it is considered these aspects of the Code are already met. However, additional disclosure notes will be added to the financial statements to clarify the Council's approach.

### **Provision for Business Rate Appeals**

- 3.18 This is a new requirement under the Business Rates Retention system introduced in April 2013. The Council has budgeted to set-aside a provision

and will do so based on its estimated liability. The Council has sufficient information which will allow a robust estimate to be made and will provide for the full estimated amount in 2013/14, as planned.

### **Accounting for and Financing Pension Costs**

3.19 The Fund's actuaries are supplying the relevant information to enable the changes to the accounting requirements to be met. The Council is not currently considering making any early lump sum pension payments.

### **Changes to the Local Government Pension Scheme**

3.20 The Council has been working closely with the both the administering authority (i.e. Derbyshire County Council) and its payroll provider over several months to ensure the changes are reflected in systems, processes and that the workforce is aware of the changes.

3.21 This is being implemented for the April 2014 payroll as required.

### **4.0 Financial Implications**

4.1 None

### **5.0 Corporate Implications**

5.1 None

### **6.0 Community Implications**

6.1 None

### **7.0 Background Papers**

7.1 None