

# Taunton Deane Borough Council

## Corporate Governance Committee 22 June 2015

### External Audit (Grant Thornton) Update Report

#### Report of the Assistant Director – Corporate Services (Richard Sealy)

This matter is the responsibility of the Leader of the Council, Cllr John Williams

#### 1. Executive Summary

This is a regular progress update report for Members by our external auditors, Grant Thornton. Specifically the report provides an update in relation to their work for the 2014/15 financial year and also provides an update in relation to emerging national issues.

#### 2. Background

- 2.1 Each year our external auditor is required to carry out “set” audit work and this report provides a useful progress update on this work. Specifically the report focusses on the audit work for the 2014/15 financial year.
- 2.2 Additionally, the report shares headlines on some national issues that may have an impact upon the Council.

#### 3. (Full details of the Report)

- 3.1 The report from Grant Thornton is attached to this report.

#### 4. Finance Comments

- 4.1 This is an update report only.

#### 5. Legal Comments

- 5.1 There are no legal implications from this report.

#### 6. Links to Corporate Aims

6.1 No direct implications.

## **7. Environmental Implications**

7.1 No direct implications.

## **8. Community Safety Implications**

8.1 No direct implications.

## **9. Equalities Impact**

9.1 No direct implications.

## **10. Risk Management**

10.1 No direct implications.

## **11. Partnership Implications**

11.1 No direct implications.

## **12. Recommendations**

12.1 Members are requested to note the update report.

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# Corporate Governance Committee Update for Taunton Deane Borough Council

**Year ended 31 March 2015**

June 2015

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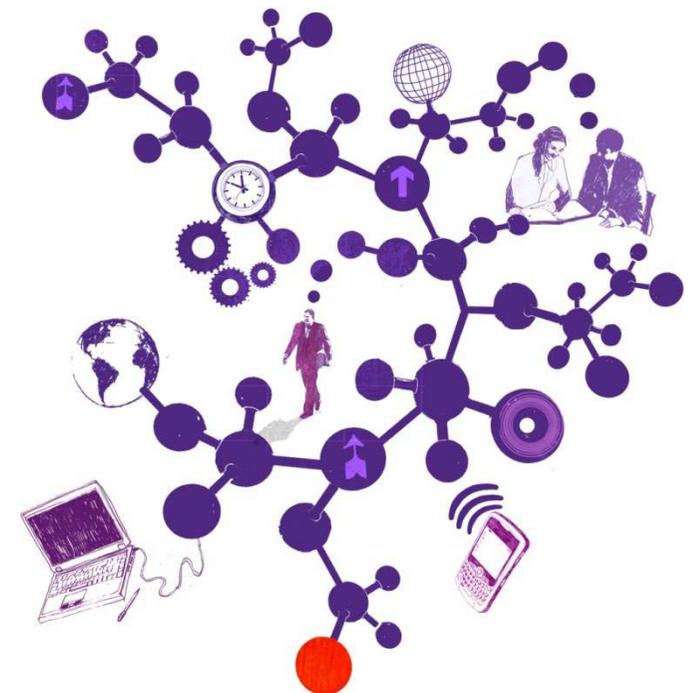
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# Introduction

This paper provides the Corporate Governance Committee 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 Corporate Governance Committee 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:

- Easing the burden: the impact of welfare reform on local government and the social housing sector
- Spreading their wings: building a successful local authority trading company

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 Audit Manager.

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## Progress at June 2015

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 Council's 2014/15 financial statements.</p>	April 2015	Yes	The audit plan is being presented as a separate item on the Corporate Governance Committee agenda on 22 June 2015.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our 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>• initial risk assessment to support the Value for Money conclusion</li> </ul>	January to April 2015	Yes	Our interim audit work has been completed and we summarised the findings in the audit plan referred to above.
<p><b>2014/15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014/15 financial statements</li> <li>• proposed opinion on the Council 's accounts</li> <li>• proposed Value for Money conclusion</li> </ul>	July to September 2015	Not yet due	

## Progress at June 2015

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>We are required to assess whether the Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging how it secures economy, efficiency and effectiveness</li> </ul>	July to September 2015	Not yet due	
<p><b>2014/15 certification work</b></p> <p>This work is expected to cover housing benefits scheme claim.</p>	June to November 2015	Not yet due	
<p><b>Other activity undertaken</b></p> <p>Reporting to provide assurance over pooling of housing capital receipts return.</p>	September 2015	Not yet due	Historically we have provided assurance on the pooling of housing capital receipts return as part of the certification work completed under the 2006 Audit Commission contract. New for 2014/15 the Council has to separately engage to have Independent Reporting on the return to provide assurance. We are discussing this with management and will update you in our next report.

# Welfare Reform Review: Easing the burden

## Grant Thornton

Our second welfare reform report, 'Easing the burden', followed on from 'Reaping the benefits?' to provide insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.

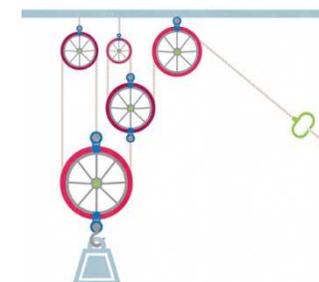
It focused on the governance and management arrangements being put in place in England across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

### Key messages:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed had seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There had been limited movement to smaller properties as a result of the spare room subsidy (also known as the bedroom tax) and benefit cap reforms, with generally less than 10% of those affected having moved according to our survey. The shortage of smaller properties for people to move into played a key role in this
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay. Ninety-five per cent of local authorities surveyed think that recipients of DHP allocations are either wholly or partly dependent on DHP to avoid homelessness in the longer-term. Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP and hardship funding, in addition to general funding reductions will inhibit the ability of local authorities and housing associations to pursue early intervention policies that avoid people falling into long-term benefit dependency. This will have cost implications for the medium- to long-term.
- The cost of administering housing benefit has risen as a result of welfare reform and now 47% of local authorities and 51% of housing associations surveyed said housing benefit is becoming significantly more costly to administer. This is partly due to the increased complexity of cases

An electronic version of the report can be found here

<http://www.grant-thornton.co.uk/en/Publications/2015/Easing-the-Burden/>



# Spreading their wings: Building a successful local authority trading company

## Grant Thornton

'Spreading your wings' is the first in a series on alternative delivery models in local government. This report focuses on how to set up a local authority trading company and, importantly, how to make it successful.

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.

An electronic version of the report can be found here

<http://www.grant-thornton.co.uk/en/Publications/2015/Spreading-their-wings-Building-a-successful-local-authority-trading-company/>



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# Inspection into the governance of Rotherham Council

## Local government issues

On 4 February 2015 the Secretary of State for Communities and Local Government, Eric Pickles announced the publication of Louise Casey's report. Her inspection of the exercise of functions on governance, children and young people and taxi and private hire licensing states:

"Rotherham Metropolitan Borough Council is not fit for purpose. It is failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions. In particular, it is failing in its duties to protect vulnerable children and young people from harm."

It summarises the following serious failings:

- a council in denial about serious and on-going safeguarding failures
- an archaic culture of sexism, bullying and discomfort around race
- failure to address past weaknesses, in particular in Children's Social Care
- weak and ineffective arrangements for taxi licensing which leave the public at risk
- ineffective leadership and management, including political leadership
- no shared vision, a partial management team and ineffective liaisons with partners
- culture of covering up uncomfortable truths, silencing whistle-blowers and
- paying off staff rather than dealing with difficult issues

The report has had widespread press coverage and the Secretary of State confirmed on 26 February 2015 that he had decided to nominate five commissioners to take over all of the council's executive functions and to begin a rapid improvement programme. He also confirmed that he would act to move Rotherham to 'all out' council elections from 2016.

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## DCLG – Build to rent scheme

### Local government issues

Housing Minister Brandon Lewis announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion Build to Rent scheme, which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

*"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".*

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a How to rent guide, so tenants and landlords know their rights and what to expect when renting privately
- published a model tenancy agreement, so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

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# Provision for Business Rates Appeals

## Accounting and audit issues

### Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

### Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.



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