



Tuesday, 30 August 2016

## **AUDIT COMMITTEE**

A meeting of **Audit Committee** will be held on

**Wednesday, 7 September 2016**

commencing at **2.00 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,  
Torquay, TQ1 3DR

### **Members of the Committee**

Councillor Tyerman (Chairman)

Councillor Barnby

Councillor Bent

Councillor O'Dwyer (Vice-Chair)

Councillor Stocks

Councillor Darling (S)

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**A prosperous and healthy Torbay**

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For information relating to this meeting or to request a copy in another format or language please contact:

**Lisa Antrobus, Town Hall, Castle Circus, Torquay, TQ1 3DR**  
**01803 207064**

Email: [governance.support@torbay.gov.uk](mailto:governance.support@torbay.gov.uk)

[www.torbay.gov.uk](http://www.torbay.gov.uk)

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# AUDIT COMMITTEE AGENDA

1. **Apologies**  
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 4 - 7)  
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 27 July 2016.
3. **Declarations of interests**
  - (a) To receive declarations of non pecuniary interests in respect of items on this agenda  
**For reference:** Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
  - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda  
**For reference:** Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.  
  
(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**  
To consider any other items that the Chairman decides are urgent.
5. **Strategic Risk Management**
6. **Treasury Management Outturn 2015/2016** (To Follow)
7. **Performance and Risk Report July 2016** (Pages 8 - 29)  
To note the report.
8. **External Audit Appointment Update** (Pages 30 - 31)  
To provide a steer to the Chief Finance Officer on the preferred approach for appointing an external auditor.

- 9. Audit Committee Update** (Pages 32 - 47)  
To note the report that provides an update from the Council's External Auditor, Grant Thornton.
- 10. Internal Audit Report - School Place Planning** (To Follow)  
To consider the report on the above.



## Minutes of the Audit Committee

27 July 2016

-: Present :-

Councillor Tyerman (Chairman)

Councillors Bent, Darling (S), O'Dwyer (Vice-Chair), Stocks and Sykes

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### 46. Minutes

The Minutes of the meeting of the Audit Committee held on 25 May 2016 were confirmed as a correct record and signed by the Chairman.

### 47. Urgent Items

The Committee considered the item in Minute 48, and not included on the agenda, the Chairman being of the opinion that it was urgent by reason of special circumstances i.e. the matter having arisen since the agenda was prepared and it was unreasonable to delay a decision until the next meeting.

### 48. Devon Audit Partnership

The Chairman advised that membership of the Devon Audit Partnership consisted of the Chairman and Vice-Chairman of the Audit Committee. Due to a recent issue of attendance the partnership would accept substitutes from the Audit Committee should either the Chairman or Vice-Chairman be unable to attend.

### 49. 2015/2016 Annual Audit Report

Members considered the 2015/2016 Annual Audit Report, the report sets out the background to the audit service provision, reviews work undertaken in 2015/16 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment. The Head of the Devon Audit Partnership advised that based upon work performed during 2015/16, experience from the current year progress and previous years audit the Head of the Devon Audit Partnership was able to issue the opinion of 'Significant Assurance' on the adequacy and effectiveness of the Authority's internal control framework. However the Head of Internal Audit was only able to provide limited assurance in relation to Children's Services and Innovation due to the level of audit activity within this directorate due to the impact of external inspections and other conflicting requirements.

Members referred to the concerns raised in relation to Section 106 arrangements and the risks relating to a lack of an overarching monitoring process. The

Assistant Director Corporate and Business Services informed Members that the Head of Service for Spatial Planning was currently working with colleagues and considering software packages to electronically track the Section 106 process. What is lacking is a unified system and the risk is around when a development reaches a Section 106 trigger point. Members requested a review of progress and an update on the implementation of the Community Infrastructure Levy be presented to a future meeting.

Members requested the internal audit report on school place planning be presented to the next meeting as a recent report to Council would suggest that school places are operating at a minimum level.

Members noted that an audit was currently being undertaken on Sports Facilities and questioned whether the Head of Devon Audit Partnership had a definition of a sport lease and commercial lease. The Assistant Director of Corporate and Business Services advised Members that a definition of a sports lease would be made available.

Members questioned the Head of Devon Audit Partnership on differences between his report and the 2015/2016 Audit Findings Report provided by external audit regarding the IT security logs, removing administrative access from those responsible for payroll management and frequency of resetting passwords. Members requested that a formal response from the Senior Leadership Team be sought regarding the management response provided by the Executive Head of Customer Services in Appendix A: Action Plan of The Audit Findings for Torbay Council be included on the next agenda.

#### **50. 2015/2016 Audit Findings Report**

Members considered a report that highlighted the key issues affecting the results and preparation of the Council's financial statements for the year ended 31 March 2016. Alex Walling, Engagement Lead for Grant Thornton, informed Members that the audit was substantially complete, draft financial statements and accompanying working papers were received in accordance with the agreed timetable which was also a week earlier than in 2014/15. A number of early discussions with the Finance Team around key technical issues were also helpful. Members were informed that the audit did not identify any adjustments affecting the Council's reported financial position but a number of small recommendations were made to improve the presentation of the financial statements.

Members were advised that following a review of the Council's arrangements to secure economy, efficiency and effectiveness issues had been highlighted that had resulted in a qualified value for money (VFM) conclusion. Alex advised that as the Council's external auditor they had concluded the Ofsted report on Children's Services highlighted weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities. A qualified opinion was not unusual for an authority that had received a report of this type.

Alex and the Audit Committee thanked the Chief Finance Officer and his team for their assistance and responsiveness to the requests made by external auditors.

#### **51. Statement of Accounts and Annual Governance Statement 2015/16**

Members considered a report that sought approval of the Council's Statement of Accounts for the year ended 31 March 2016. The Accounts and Audit Regulations 2015 required approval of the accounts by a committee of the Council before 30 September 2016, the regulations also required approval of an Annual Governance Statement that informed Members of the Council's Governance and Internal Control framework and any significant control issues.

Members queried whether a review would be undertaken regarding the governance of the Torbay Air Show in particular the management of risks throughout the process and the reporting to Members when risks had changed. Officers were requested to seek clarification as to whether the Overview and Scrutiny Board would be undertaking such a review.

The Chief Finance Officer thanked the External Audit Team for their assistance and approach to the auditing of the accounts and requested the recommendation set out in the report be amended to approve the revised Annual Governance Statement.

Resolved that:

- (i) the Audit Committee reviewed the accounts including the significant accounting policies and considered the External Auditor's report and opinion on the accounts;
- (ii) following i) above, the Council's Statement of Accounts for 2015/16, as set out in pages 15 to 105 of Appendix 2 to the submitted report be approved;
- (iii) following approval of ii) above, the person presiding at the meeting of the Audit Committee shall sign and date the accounts on behalf of the Council, to represent the completion of the Council's approval process of the accounts, in the 'Statement of Responsibilities for the Statement of Accounts' shown on page 17 of Appendix 2 to the submitted report;
- (iv) the Letter of Representation to Grant Thornton from the Council in relation to the 2015/16 Statement of Accounts, as set out in Appendix 1 to the submitted report, be approved; and
- (v) the revised Annual Governance Statement for 2015/16 be re-approved.

#### **52. Treasury Management Outturn 2015/16**

Members received a report that afforded them the opportunity to review the performance of the Treasury Management function.

Members queried whether consideration should be given to increasing the level of investments made via funding circle. The Chief Finance Officer advised that such a change would require a change to the Treasury Management Plan and could be considered during the mid year treasury management review.

**53. Local Government Corporate Peer Challenge Action Plan**

The Committee noted a report that provided an update on the progress made on implementing the Local Government Association (LGA) Corporate Peer Challenge Action Plan. The Assistant Director of Corporate and Business Services informed Members that the Senior Leadership Team (SLT) update and review the action plan on a monthly basis, SLT recognised and accepted that in some area progress hadn't been as expected.

Members challenged the progress on a number of areas and requested that an informal meeting of Members be convened in September in order to review the targets and focus on the finance related actions.

**54. Performance and Risk**

Members noted the report and requested up to date data be circulated in order for Members to identify areas that they wish to undertake a 'deep dive' at the Audit Committee on 7 September.

**55. Regulation of Investigatory Powers Act 2000 (RIPA)**

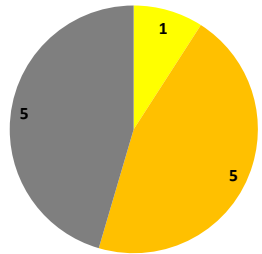
Members noted a report that provided an update on current Regulation of Investigatory Powers Act 2000 (RIPA) authorisations and provided further information on the use of RIPA in relation to communications data.

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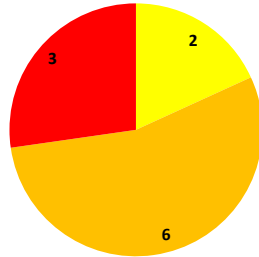
Chairman/woman

# Performance and Risk Report July 2016

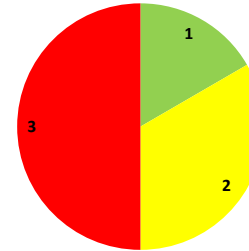
Key to Performance Status:



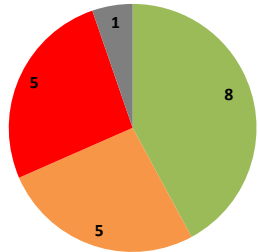
**Attractive and Safe PIs (11)**



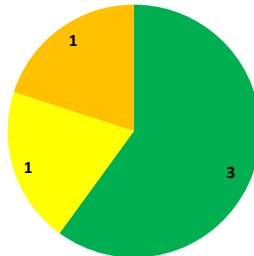
**Promoting Healthy Lifestyle PIs (11)**



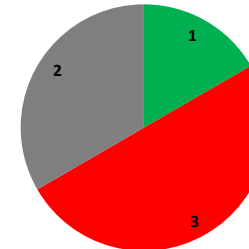
**Prosperous Torbay PIs (6)**



**Protecting all children and giving them the best start in life**



**Protecting Vulnerable Adults PIs (5)**



**Running an Efficient Council PIs (6)**



The risks in this report are high level strategic risks aligned to the Corporate Plan. This report enables the council's Senior Leadership Team (SLT) to be able to review and challenge the council's risks on a regular basis and identify improvement actions or mitigations required. Business units will continue to develop and manage their own risk measures aligned to their specific service areas. These business unit risks will be reported by exception to SLT, therefore the current risks listed within this report may be exchanged for others in the future.



## An Attractive and Safe Place

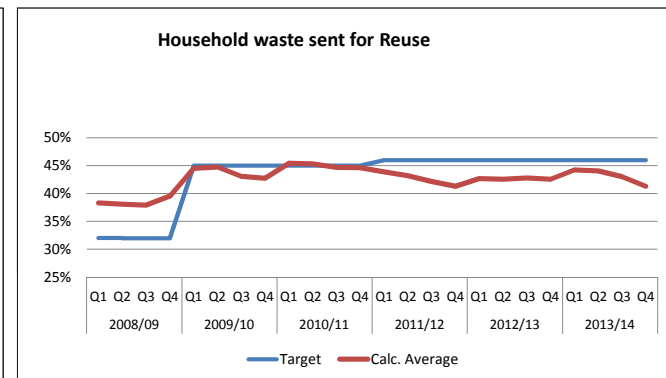
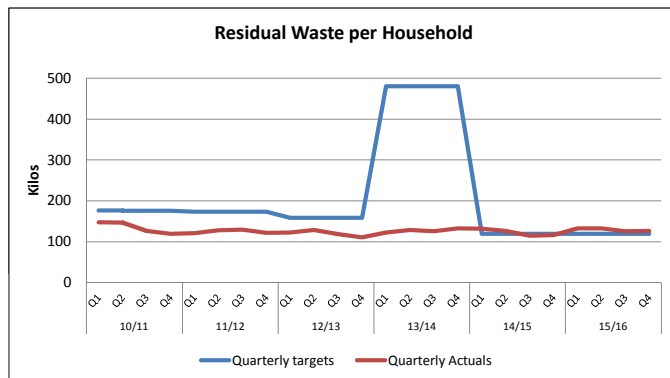
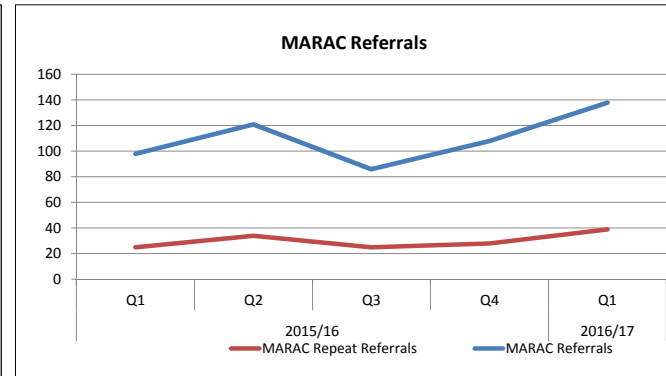
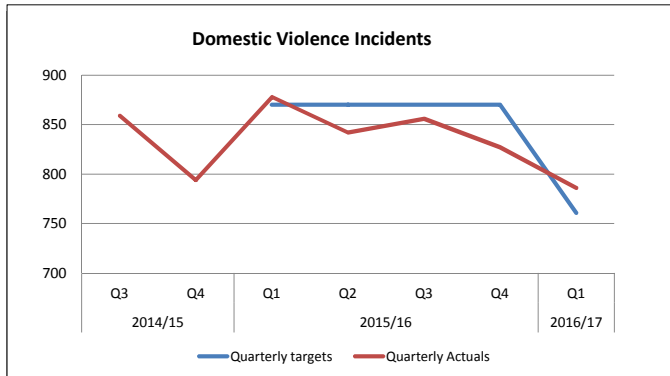
### Attractive and Safe: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 2 2015/16	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Cumulative to date
	<a href="#">Numbers in Temporary accommodation</a>	It's better to be low		497	420					New indicator - awaiting data
	<a href="#">How long people stay in temporary accommodation</a>	It's better to be low		33	30					New indicator - awaiting data
	<a href="#">Numbers on the housing waiting list by Band A &amp; B.</a>	It's better to be low		Band A 2 Band B 330	Band A 2 Band B 300					New indicator - awaiting data
	<a href="#">Number of people statutorily housed</a>									New indicator - awaiting data
	<a href="#">Number of 16 to 18 year olds statutorily housed</a>									New indicator - awaiting data
	<a href="#">Average number sleeping rough</a>	It's better to be low	Above Target	24	20	-	-	24	23	23
ASPI04	<a href="#">Domestic violence incidents</a>	It's better to be low	On Target	3,043	3,043	842	856	827	786	786
ASPI06	<a href="#">MARAC Referrals</a>	It's better to be low	Above Target	301	301	87	61	80	99	99
ASPI07	<a href="#">MARAC Repeat Referrals</a>	It's better to be low	Above Target	112	112	34	25	28	39	39

Code	Title	Polarity	Status	Prev Year End	England Value	Quarter 2 2015/16	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Last period value
NI191	<a href="#">Residual household waste per household</a>	It's better to be low	Below Target	129kg	120kg	133kg	126kg	127kg	Not due	127kg
NI192	<a href="#">Percentage of household waste sent for reuse, recycling and composting (LAA)</a>	It's better to be high	Below Target	42.61%	46.00%	44.04%	43.01%	42.61%	Not due	42.61%

## An Attractive and Safe Place: Performance of Monthly and Quarterly PIs



Attractive and Safe: Risks

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?												
ASPR01	<a href="#">Increased demand on housing services</a>	Medium to high (12)	22/07/16	4 - Likely	3 - Moderate	Fran Hughes	Alternative provision is being explored i.e. Agreement with Mears Group re leased accommodation. Re-procurement of temp accom started July 2016.		Accepted												
ASPR02	<a href="#">Failure to meet statutory thresholds</a>	Medium to high (12)	22/07/16	3 - Possible	4 - Major	Fran Hughes	Maintain sufficient resilience within teams providing statutory services to meet thresholds		Accepted												
ASPR03	<a href="#">Increasing cost of highway improvements and maintenance</a>	Medium to high (12)	22/07/16	4 - Likely	3 - Moderate	Fran Hughes	Asset Management Plan in place to ensure that available budget is managed effectively. The Asset Management Plan has a particular priority to preventative maintenance. Preventative maintenance has been increased, however this is under threat in future years due to levels of likely budget cuts.		Accepted												
ASPR04	<a href="#">Cliff and Sea defence failures through storm/ lack of maintenance</a>	Medium to high (12)	22/07/16	3 - Possible	4 - Major	Fran Hughes	Continue maintenance and apply for capital funding from council and grant aid funding from Environment Agency. Part of Oddcombe Cliff has recently been stabilised. A rock fall at Goodrington occurred and as a result further stabilisation works will be required in the autumn. Investigations are being carried out by the Council's Geotechnical Consultant on the cliffs at Freshwater Quarry where stabilisation works will be required once funding is available. These works are likely to be required in the autumn due to birds nesting on cliffs. A number of coastal defence schemes are on the Environment Agency medium term plan which covers the next 6 years. One of these is Hollicombe Cliffs, a project appraisal report has recently been approved by the EA for £1.2million of grant in aid funding. Detailed design works are underway and the scheme should commence on site in late October 2016.		With mitigation works the risk is reduced however areas where we have not undertaken any works are still at risk as we cannot predict where rock falls are likely to occur.												
ASPR05	<a href="#">Increasing cost of waste disposal.</a>	Medium to high (12)	22/07/16	3 - Possible	4 - Major	Fran Hughes	Contract review being undertaken		Accepted												
ASPR06	<a href="#">Reduction of Police funding and possible cost shunt to the council</a>	High (20)	22/07/16	4 - Likely	5 - Critical	Fran Hughes	Ensure that a robust Community Safety Partnership remains in place to identify and address escalating issues.		Accepted												
	<a href="#">Increase in crime</a>	Medium to high (12)	22/07/16	4 - Likely	3 - Moderate	Fran Hughes	Reduction in resources across all agencies could have an impact on crime levels.		Accepted												
							<table border="1"> <thead> <tr> <th>Yr13/14</th> <th>Yr14/15</th> <th>Yr15/16</th> <th>Q1 16/17</th> <th>Q2 16/17</th> <th>Q3 16/17</th> </tr> </thead> <tbody> <tr> <td>9,812</td> <td>8,988</td> <td>8,586</td> <td>2,425</td> <td></td> <td></td> </tr> </tbody> </table>	Yr13/14	Yr14/15	Yr15/16	Q1 16/17	Q2 16/17	Q3 16/17	9,812	8,988	8,586	2,425				
Yr13/14	Yr14/15	Yr15/16	Q1 16/17	Q2 16/17	Q3 16/17																
9,812	8,988	8,586	2,425																		
	<a href="#">Unsustainable funding for Domestic Abuse Services</a>	High (20)	20/07/16	4 - Likely	5 - Critical	Fran Hughes	Existing contract has been extended until Sept 2017 with additional funding from CSP. Future funding being considered by SWIFT.		Accepted												

## Promoting healthy lifestyles

### Promoting healthy lifestyles: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	England Value		Last period value
PHOF2.06i HI	<a href="#">Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)</a>	It's better to be low	Well Above Target	25.3%	21.9%	2014/15	24.1%
PHOF2.15i HI	<a href="#">Successful completion of drug treatment – opiate users</a>	It's better to be high	Below Target	8.4%	7.8%	2014	7.4%
PHOF2.18 MHI	<a href="#">Admission episodes for alcohol-related conditions –narrow definition (Male) per 100,000</a>	It's better to be low	Well Above Target	1,002	827	2014/15	965
PHOF2.18 FHI	<a href="#">Admission episodes for alcohol-related conditions –narrow definition (Female) per 100,000</a>	It's better to be low	Well Above Target	642	474	2014/15	600
PHOF2.22 vHI	<a href="#">Cumulative % of the eligible population aged 40-74 received an NHS Health Check</a>	It's better to be high	Below Target	n/a	27.4%	2013/14 - 2014/15	25.7%
PHOF2.14 HI	<a href="#">Smoking Prevalence</a>	It's better to be low	On Target	19.9%	16.9%	2015	17.0%
PHOF2.13i HI	<a href="#">Percentage of physically and inactive adults - active adults</a>	It's better to be high	Below Target	52.4%	57.0%	2015	53.6%
PHOF2.13i IHI	<a href="#">Percentage of physically and inactive adults - inactive adults</a>	It's better to be low	On Target	34.2%	28.7%	2015	29.9%
PHOF2.12 HI	<a href="#">Excess weight in adults - Percentage of adults classified as overweight or obese</a>	It's better to be low	Above Target	n/a	64.6%	2012-2014	68.1%

Code	Title	Polarity	Status	Prev Year End	England Value		Last period value
PHOF0.2iv MOI	<a href="#">The gap between life expectancy at birth in Torbay and life expectancy at birth for England: Male</a>	It's better to be high	Below Target	-0.3	0.0	2012-2014	-0.5
PHOF0.2iv FOI	<a href="#">The gap between life expectancy at birth in Torbay and life expectancy at birth for England: Female</a>	It's better to be high	Below Target	-0.3	0.0	2012-2014	-0.2

**Promoting healthy lifestyles: Risks**

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
PHLR01	<a href="#">Pandemic - i.e. Flu/Ebola</a>	Medium to high (12)	20/07/16	3- Possible	4 - Major	Caroline Dimond	Emergency plans		Accepted
PHLR02	<a href="#">Reduction in the public health grant</a>	Medium to high (12)	20/07/16	4 -Likely	3 - Moderate	Caroline Dimond	Forecast budget planning taking into account potential impact of reduction. Awaiting actual cut, Planning mitigating actions.		Accepted
PHLR03	<a href="#">Reduction in funding for sport and leisure services</a>	Medium (8)	22/07/16	4 -Likely	2 - Minor	Fran Hughes			Accepted

## Prosperous Torbay

### Prosperous Torbay: Performance Indicators

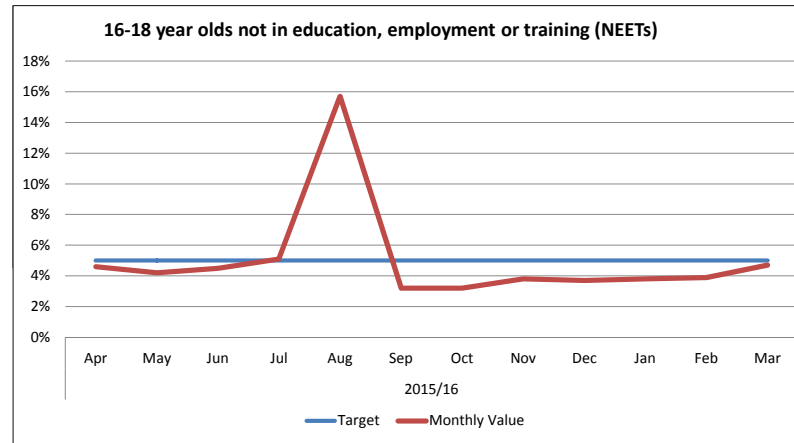
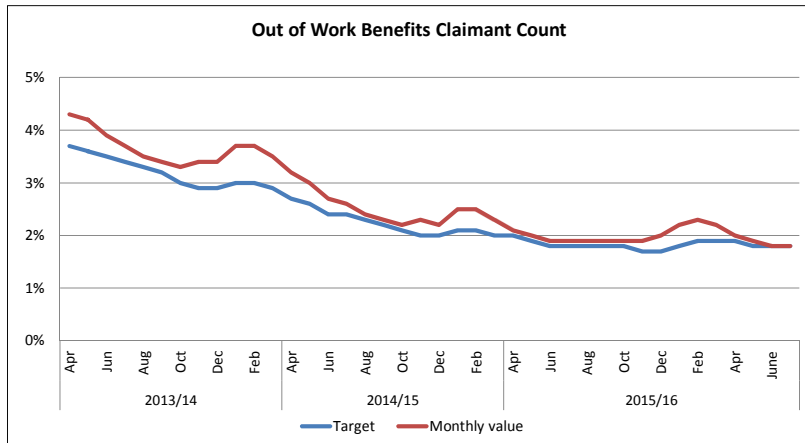
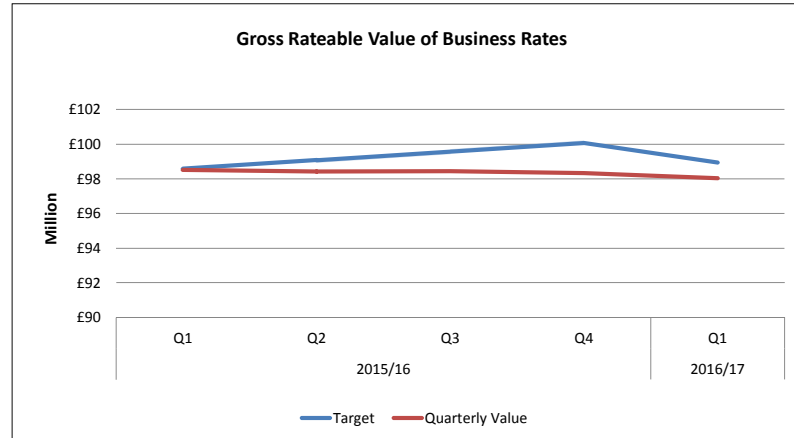
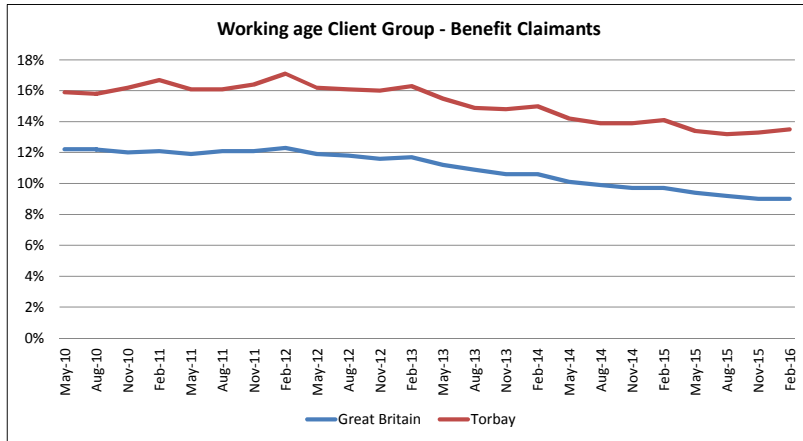
Code	Title	Polarity	Status	Prev Year End	Great Britain / Quarter Target	May-15	Aug-15	Nov-15	Feb-16	Last period value
PTPI01	<a href="#">Working age Client Group - Main benefit claimants</a>	It's better to be low	Well Above Target	13.9%	9.0%	13.4%	13.2%	13.3%	13.5%	13.5% (10,410)

Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 2 2015/16	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Last period value
PTPI02	<a href="#">Gross rateable value of Business Rates (NNDR)</a>	It's better to be high	On Target	£98,334,749	£98,932,008	£98,422,119	£98,439,809	£98,334,749	£98,027,554	£98,027,554

Code	Title	Polarity	Status	Prev Year End	Great Britain / Month Target	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Last period value
PTPI03	<a href="#">Out of Work Benefits Claimant Count</a>	It's better to be low	On Target	2.2%	1.8%	1.9%	1.9%	1.9%	1.9%	2.0%	2.2%	2.3%	2.2%	2.0%	1.9%	1.8%	1.8%	1.8%
PTPI04	<a href="#">% 16 - 18 year olds not in education, employment or training (NEET)</a>	It's better to be low	Below Target	4.0%	5.0%	5.1%	15.7%	3.2%	3.2%	3.8%	3.7%	3.8%	3.9%	4.7%				4.7%

Code	Title	Polarity	Status	Prev Year End	Great Britain Value												Last period value
PTPI05	<a href="#">Earnings by Residence (weekly full time)</a>	It's better to be high	Well Below Target	£433.20	£529.60	2015											£421.60
PTPI06	<a href="#">Earnings by Workplace (weekly full time)</a>	It's better to be high	Well Below Target	£421.90	£529.00	2015											£425.20

## Prosperous Torbay: Performance of Monthly and Quarterly PIs



Prosperous Torbay: Risks

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
PTR02	<a href="#">Local Plan not delivered</a>	Medium (8)	20/07/16	2 - Unlikely	4 - Major	Pat Steward	Limited resources in place within Spatial Planning to undertake delivery and monitoring work; prioritised work plan over next 5 years; work with other services including TEDC to deliver; exploring shared services with other Councils. Political support for masterplan delivery / regeneration continues; appointment of major projects programme director will help reduce risk		
PTR03	<a href="#">Failure to meet national planning performance targets</a>	Medium to high (12)	20/07/16	3 - Possible	4 - Major	Pat Steward	Spatial Planning informs and monitors returns to Government every month; Reports are provided to Development Management Committee every 6 months; Spatial Planning works with applicants to help ensure applications are 'right first time'; Spatial Planning adjusts its resources to deal with workload pressures; Spatial Planning will refuse planning applications, without negotiation, where there has been no pre-application submission by applicants and there are robust reasons for refusal. Performance report to DMC in June 2016 showed continued improvements over last 2 years		
PTR04	<a href="#">Five year housing land supply</a>	Medium to high (12)	20/07/16	3 - Possible	4 - Major	Pat Steward	Spatial Planning maintains a list of sites to be delivered over a rolling 5 year period; this list is refreshed and published every year as part of the Annual Housing Monitoring Review; in order to meet this target the Council needs to enable delivery of around 500 new homes per annum. Performance against this target will be reported, biannually, to the Development Management Committee. In addition, the Council will undertake a major review of the Local Plan every 5 years or more frequently / partial reviews if required. Spatial Planning is being proactive (e.g. masterplans, engagement with landowners etc) to ensure delivery of new homes above the minimum required to hit 5 year land requirements. BREXIT has had a major impact on national house builders and on Government timeframes for bringing forward new legislation to allow Permission in Principle. Continued work on Neighbourhood Plans to help bring forward more housing sites. Council has published and promoted Brownfield land register and established a self-build register.		



Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
PTR05	<a href="#">Further reductions made under welfare reforms</a>	Medium to high (12)	19/08/16	4 -Likely	3 - Moderate	Bob Clark	<p>The Council recognises that residents are facing wider financial pressures from energy bills, increasing housing costs as well as welfare reforms, the ability of lower income households to absorb the impact is restricted. Early engagement our customers who are impacted ensures they make informed choices, are offered appropriate support and do not fall into debt.</p> <p>Benefit Cap changes will probably be applied during November in Torbay. At the moment it is estimated that it will affect around 260 households, currently we have 41 capped, so it may start to attract media attention from September onwards. For reference the cap is always deducted from Housing Benefit, other social security benefits are unaffected, unless they receive Universal Credit, which won't apply to any of these cases just yet.</p>	<p>As Torbay's economy grows and unemployment falls, strategies that encourage new employment, skills development and enterprise will mitigate welfare reform. The following actions should be undertaken;</p> <ul style="list-style-type: none"> <li>• Support those most affected by welfare reform into jobs</li> <li>• Inform and prepare residents for welfare reform changes</li> <li>• Inform and prepare staff for welfare reform changes</li> <li>• Engage, involve and prepare elected members</li> <li>• Internal council activity - Identify wider financial risks where demand for services may increase, e.g. Homeless, Customer Services and Children's Services etc.</li> </ul> <p>Benefit Cap changes: Households that will be potentially affected by the cap changes will be invited to attend a series of forums around the bay to discuss the impact and mitigating actions that can be taken. As this is part of the Government's Welfare Reform changes and affects the national HB scheme the council and DWP have jointly arranged these forums.</p> <p>Consultation for the proposed changes to the Council Tax Support scheme, from April 2017: The Council's Vulnerability Policy and Discretionary Reductions (Exceptional Hardship) Policy are mitigating features of the current scheme. To support households adversely affected by the changes we recommend an easement in the Exceptional Hardship Policy, based on the findings from the impact assessment and increase the fund accordingly.</p>	Accepted

## Protecting All Children and Giving Them the Best Start in Life

### Protecting All Children and Giving Them the Best Start in Life: Performance Indicators

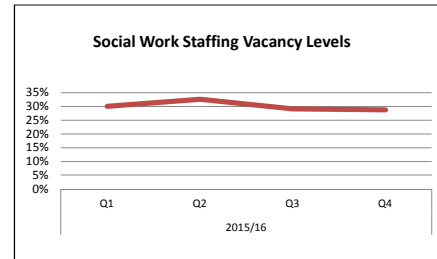
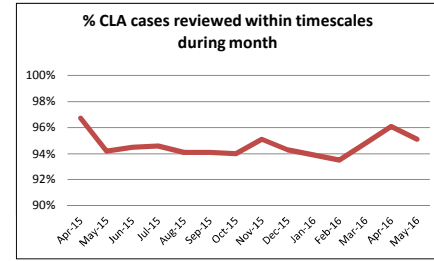
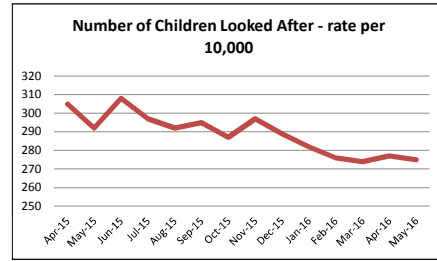
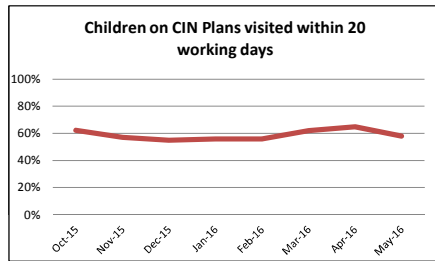
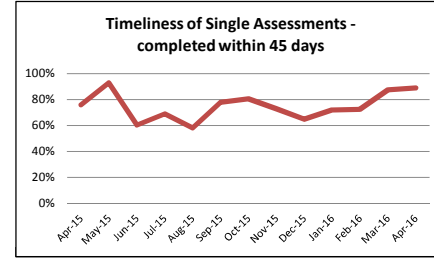
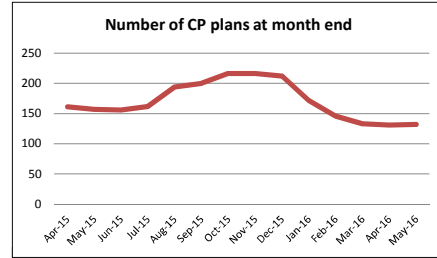
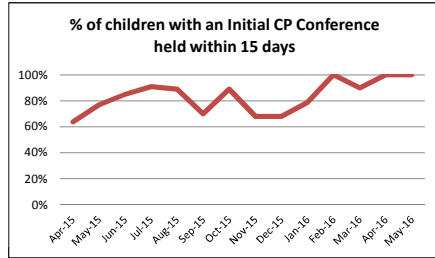
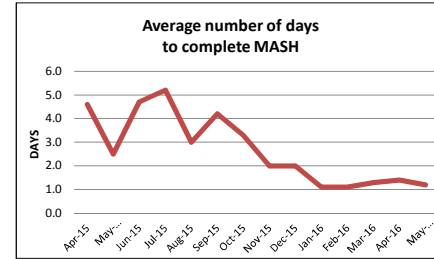
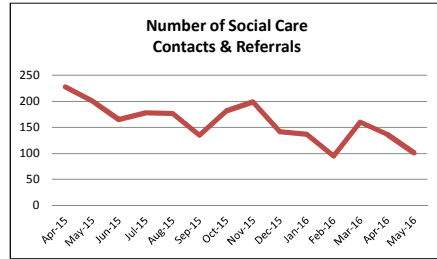
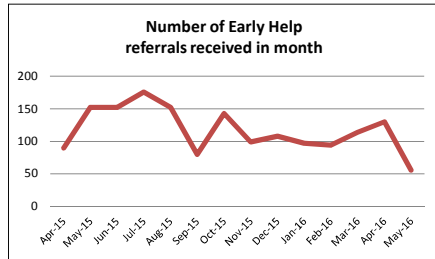
Code	Title	Polarity	Status	Average monthly for 15/16 year	Anticipated performance level	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Last period value
1	<a href="#">Number of Early help referrals received in month</a>	In line with our service expectations	In line	122	100 per month (1200)	152	80	143	99	108	97	94	114	130	56			56
3	<a href="#">Number of Social Care Contacts &amp; Referrals</a>	Its better to be low	Below expected levels	168	135 per month or 1,620 per year	177	135	182	199	142	137	95	160	137	101			101

Code	Title	Polarity	Status	Average monthly for 15/16 year	Anticipated performance level	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Last period value
4	<a href="#">Average number of days to complete MASH</a>	Its better to be low	In line	3.04 (working days)	1	3.0	4.2	3.3	2.0	2.0	1.1	1.1	1.3	1.4	1.2			1.2
8	<a href="#">% of children with an Initial Child Protection Conference held within 15 days from strategy meetings</a>	Its better to be high	In line	79%	100.0%	89%	70%	89%	68%	68%	79%	100%	90%	100%	100%			100%
18	<a href="#">Number of CP plans at month end by Category</a>	In line with benchmarks	In line	133	140	194	200	216	216	212	172	146	133	131	132			132
19	<a href="#">Timeliness of Single Assessments - completed within 45 days</a>	Its better to be high	Below expected levels	75%	82%	58.2%	77.9%	80.6%	72.9%	64.8%	71.9%	72.4%	87.5%	88.9%				88.9%
16	<a href="#">% CLA cases reviewed within timescales during the month</a>	Its better to be high	Below expected levels	96%	100.0%	100.0%	96.9%	100.0%	100.0%	94.7%	93.9%	93.5%	94.8%	96.1%	95.1%			95.1%

Code	Title	Polarity	Status	As at 2015/16 year end	Anticipated performance level	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Last period value
12	<a href="#">Children on CIN plans visited within 20 working days</a>	Its better to be high	Well below expected levels	53%	80%			62%	57%	55%	56%	56%	62%	65%	58%			58.0%
14	<a href="#">Number of Children Looked After</a>	In line with benchmarks	Well above expected levels	274	250	292	295	287	297	289	282	276	274	277	275			275

Code	Title	Polarity	Status	As at 2015/16 year end	Quarter Target	Quarter 2 2015/16	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Last period value
17	<a href="#">Social Work Staffing levels – numbers, vacancies</a>	Its better to be low	Below expected levels	28.7%	18%	32.6%	29.1%	28.7%		28.7%
	<a href="#">Progress against agreed 5 year plan financial target</a>	In line with benchmarks								New indicator - Data to be added
Code	Title	Polarity	Status	Prev Year End	England Value					Last period value
15	<a href="#">Adoption Timeliness - Average time from entering care to moving in with adoptive family</a>	Its better to be low	Below expected levels	530	426	2015/16				360
PCPI09	<a href="#">KS4 % achieving 5+ A*-C GCSEs (or equivalent) including English and maths GCSEs</a>	It's better to be high	In line	56.6%	53.8%	2015				57.3%
PCPI10	<a href="#">KS2 % achieving level 4 or above in reading, writing and maths</a>	It's better to be high	In line	77.0%	80.0%	2015				80.0%
PHOF2.021 W	<a href="#">School Readiness: All children achieving a good level of development at the end of reception</a>	It's better to be high	In line	61.30%	66.3%	2014/15				64.4%
PHOF2.021 iHI	<a href="#">Breastfeeding Prevalence at 6 - 8 weeks after birth</a>	It's better to be high	Well below expected levels	n/a	43.8%	2014/15				35.7%
PHOF2.03 HI	<a href="#">Smoking status at the time of delivery</a>	It's better to be low	Well above expected levels	16.8%	11.4%	2014/15				16.1%
PHOF2.091 iHI	<a href="#">Smoking prevalence at age 15 - regular smokers (WAY survey)</a>	It's better to be low	Well above expected levels	n/a	5.5%	2014/15				10.4%
PHOF3.03 xHP	<a href="#">Population vaccination coverage - MMR for two doses (5 years old)</a>	It's better to be high	In line	88.9%	88.6%	2014/15				89.9%

# Protecting All Children and Giving them the Best Start in Life: Performance of Monthly and Quarterly PIs



## Protecting All Children and Giving Them the Best Start in Life: Risks

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Description	Mitigation/Progress	Is Risk Reduced, Accepted or eliminated?
PCR01	<a href="#">Increased demand for services (Troubled Families/Early Help Strategy)</a>	Medium to high (12)	23/08/16	3 - Possible	4 - Major	Andy Dempsey	Contacts to Social Care are currently at or around the levels for 2015/2016, with circa 6,000 per year. As significant proportion of contacts continue to result in the provision of advice or no further action. Ofsted and Hampshire have concluded that application of thresholds at the point of entry (MASH) is correct suggesting further work is needed with TSCB partners.	Work is underway with TSCB partners to review the approach towards Early Help to ensure work is managed and led at the right point within the continuum of need.	Accepted
PCR02	<a href="#">Delivery of 5 year plan - Stemming The Flow (Including PIP)</a>	High (16)	23/08/16	4 - Likely	4 - Major	Andy Dempsey	The 5 year financial plan is underpinned by a number of key elements - bringing the population of children looked after (CLA) in line with statistical comparators (with correspondingly reduced costs); stepping down children (when in their best interests) from residential to familial placements, and reducing staffing costs both social care and non social care.	Year 1 is currently projecting an overspend at the end of Q1 of circa £1.3m. Although action has been taken to address this, the cumulative impact of assumptions within the plan around reductions in placement costs that are yet to be actioned will eradicate those savings and generate a potential pressure of £2.2m by year end. A comprehensive review of the CLA population has been commenced to determine the effectiveness of permanency planning and the extent to which there are planned exits from care sufficient to deliver the 5 year plan. This exercise will be completed by end of August. A dedicated placements/contacts/commissioning team will be created using existing resources in September to focus on placement capacity and costs.	Reduced
PCR03	<a href="#">Delivery of TPST and Integrated Care Organisation</a>	High (16)	23/08/16	4 - Likely	4 - Major	Andy Dempsey	Integral elements of the SWIFT project	Mutual Ventures (MV) undertook an evaluation of work to progress the transfer of Children's Services into the ICO in March. They concluded that much work remained to be completed. The inspection outcome has necessarily required the timescales for transfer to be recalibrated and for improvement activity to be carefully balanced with preparation work. MV will be working with stakeholders in September with the aim of having a revised project plan in place by end of the month.	Accepted
PCR04	<a href="#">Safeguarding Improvement Programme</a>	Medium to high (12)	23/08/16	3 - Possible	4 - Major	Andy Dempsey	Inspection judgement that Children's Services and the TSCB are inadequate. The DfE have appointed a Commissioner - Chief Executive, Hampshire County Council, who will report on a regular basis to the Minister on progress.	National research (ISOS/LGA) suggests that sustained and marked improvement in Children's Services taken 18-12 months from the point that an accurate picture of performance is in place. Hampshire and Ofsted have identified improvements in voice of the child and assessment work alongside areas requiring considerable improvement. The improvement process is also being reviewed to place a much tighter focus on meeting the Ofsted recommendations, following an approach used by Hampshire in their improvement work for other authorities. The revised approach will be in place for September.	Reduced
PCR05	<a href="#">Removal of the Education Service Grant</a>	High (16)	23/08/16	4 - Likely	4 - Major	Andy Dempsey	The proposed removal of the Education Service Grant will result in less direct services to schools to impact on pupil outcomes. There will also be an impact on central/corporate services currently dependent in part upon ESG.	The funding delegated to Torbay Teaching School to be directed to build capacity outside of the organisation. Strategic planning with Torbay Teaching School Alliance to take a lead on system issues for children and young people within the school community. A mapping exercise is underway to understand how ESG is underpinning corporate/central services with the aim of mitigating the impact of ESG withdrawal.	Accepted

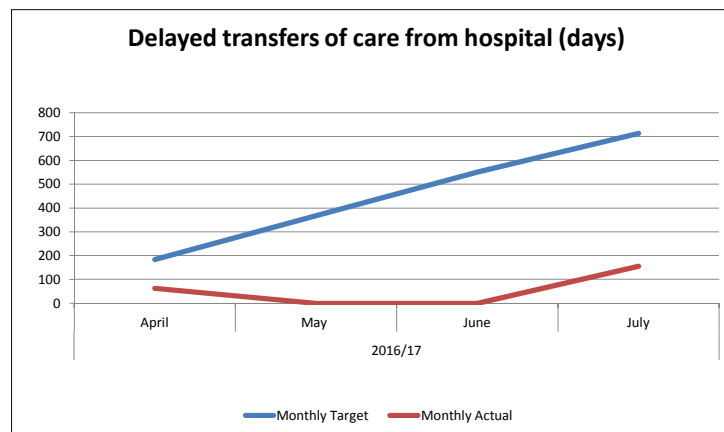
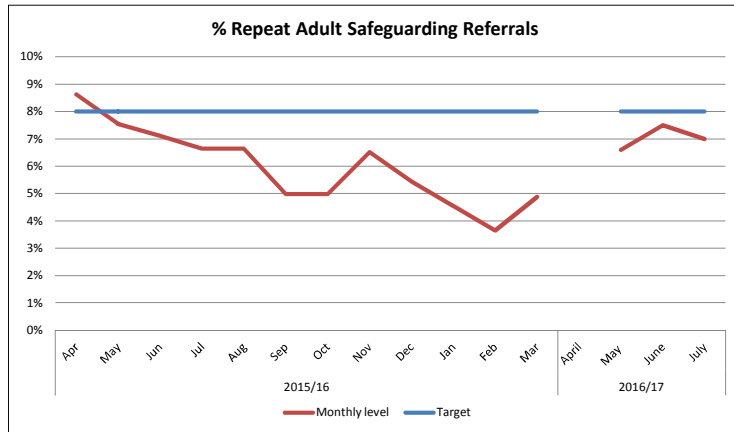
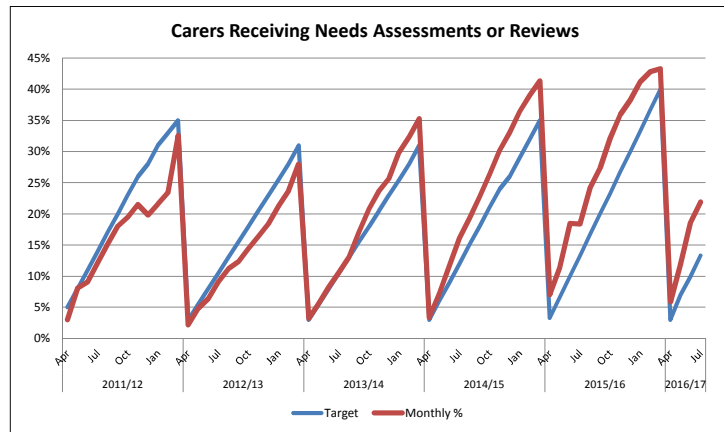
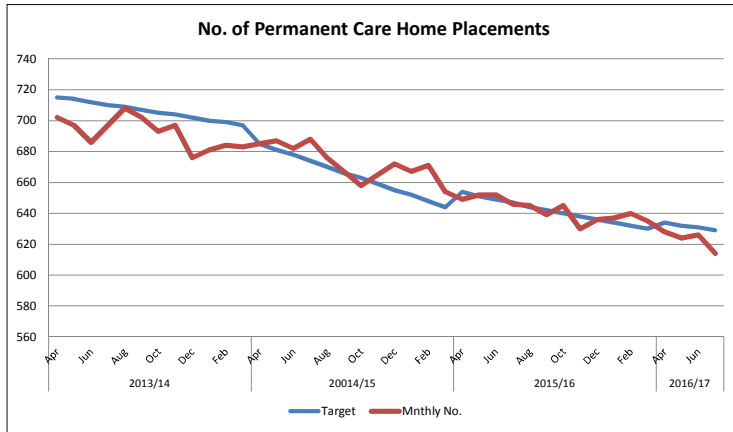
## Protecting Vulnerable Adults

### Protecting Vulnerable Adults: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Last period value
LI404	<a href="#">No. of permanent care home placements</a>	It's better to be low	On Target	635	629	645	639	645	630	636	637	640	635	628	624	626	614	614
NI135	<a href="#">Carers receiving needs assessment or review &amp; a specific carer's service, or advice &amp; infor (LAA)</a>	It's better to be high	Well Above Target	43.28%	13.30%	24.24%	27.37%	32.09%	35.94%	38.22%	41.17%	42.79%	43.28%	5.90%	11.90%	18.60%	21.91%	21.91%
TCT14b	<a href="#">Safeguarding Adults - % repeat SG referrals in last 12 months</a>	It's better to be low	Well Above Target	4.87%	8.00%	6.64%	4.98%	4.98%	6.51%	5.45%	4.55%	3.64%	4.87%	~	6.64%	7.52%	7.00%	7.00%
BCF-004a	<a href="#">Delayed transfers of care from hospital (days)</a>	It's better to be low	Well Above Target	n/a	713	~	~	~	~	~	~	~	~	63	0	0	155	155
Code	Title	Polarity	Status	Prev Year End	Target													Last period value
PVAP10	<a href="#">Re-ablement Services (Effectiveness)</a>	It's better to be high	Below Target	n/a	84.0%	2014/15												77.20%

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## Protecting Vulnerable Adults: Performance of Monthly and Quarterly PIs



**Protecting Vulnerable Adults: Risks**

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
ASCR01	<a href="#">Increased demand for services</a>	Medium to high (12)	20/06/16	4 - Likely	3 - Moderate	Caroline Taylor	A new care model and prevention strategy STP will have geographic Devon approach to prevention- ensure modelling gives Torbay benefits.		Reduced
ASCR02	<a href="#">Financial strain relating to the implementation of the Care Act</a>	Medium (6)	20/06/16	2 - Unlikely	3 - Moderate	Caroline Taylor	Lobby government and feedback future cost strain. Await new government approach to rest of care act and 2019 implementation- may be further delayed due to costs.		Accepted
ASCR03	<a href="#">Insufficient and unsustainable care home market in Torbay</a>	Medium to high (12)	20/06/16	4 - Likely	3 - Moderate	Caroline Taylor	Work to diversify the market and outcomes based model and regional work on supply		Accepted
ASCR04	<a href="#">Integrated Care Organisation: Delivery of new model of care at pace and scale</a>	Medium to high (12)	20/06/16	4 - Likely	3 - Moderate	Caroline Taylor	Strong commissioner provider monitoring, overview of overall outcomes via HWBB/JCG. Exe lead CLR on ICO Board-continuing to influence STP and find agreement despite local challenges. Ensure STP finance plan is aligned to council MTFP and risk share is robust.		Accepted
ASCR05	<a href="#">Failure to deliver ICO within budget</a>	High (12)	19/08/16	4 - Likely	4 - Major	Caroline Taylor			



## Running an Efficient Council

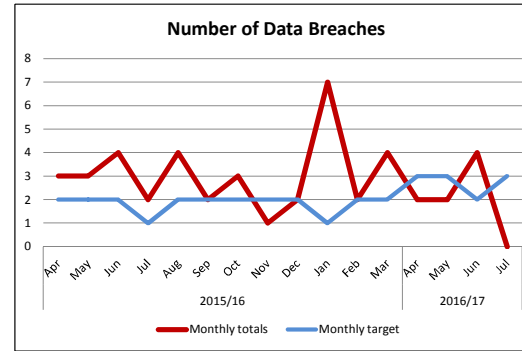
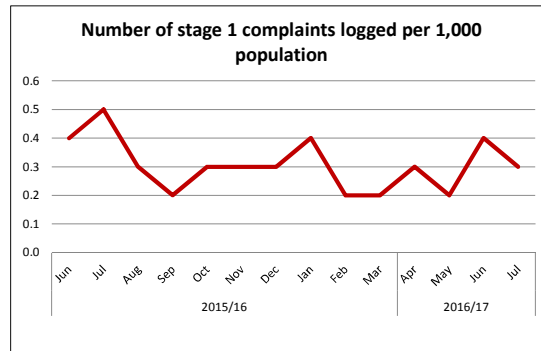
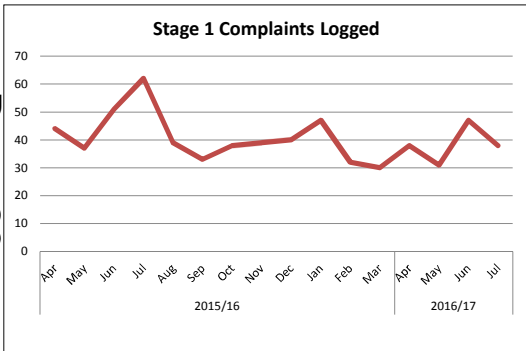
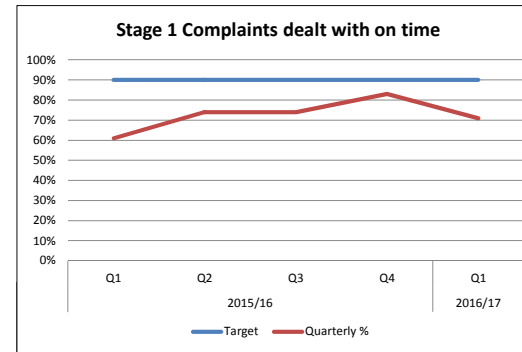
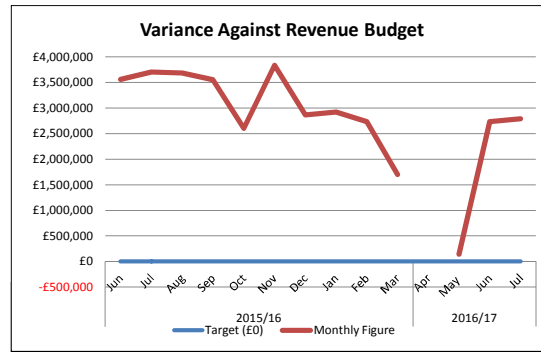
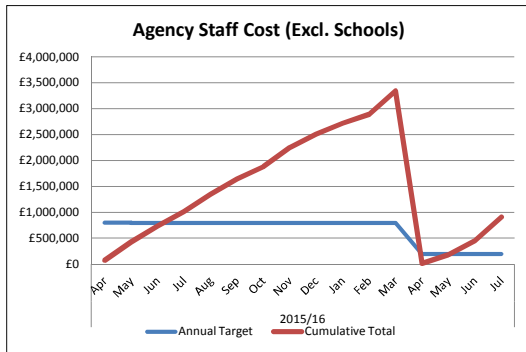
### Running an Efficient Council: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Annual Target	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Cumulative to date
RECPI01	<a href="#">Agency Staff Cost (excluding schools)</a>	It's better to be low	Well Above Target	n/a	£196,000	£334,495	£293,165	£234,599	£376,023	£255,466	£210,000	£176,815	£451,136	£10,394	£171,704	£272,342	£456,050	£910,490
																		Adults £0 Children's £435,590 Public Health £385 Corp & Business Services £15,506 Community & Cust Services £4,568
RECPI02	<a href="#">Variance Against Revenue Budget</a>	It's better to be low	Well Above Target	£1,701,000	£0	£3,682,000	£3,549,000	£2,600,000	£3,835,000	£2,866,000	£2,921,000	£2,730,000	£1,701,000	N/A	£144,000	£2,733,000	£2,791,000	£2,791,000

Code	Title	Polarity	Status	Prev Year End	Annual Target	Quarter 2 2015/16	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Last period value
RECPI05	<a href="#">Stage 1 complaints dealt with on time</a>	It's better to be high	Well Below Target	83%	90%	74%	74%	83%	71%	71%

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Cumulative to Date
RECPI05	<a href="#">Number of stage 1 complaints logged</a>	N/A	(monitoring only)	492	n/a	39	33	38	39	40	47	32	30	38	31	47	38	154
RECPI08	Number of stage 1 complaints logged per 1,000 population	N/A	(monitoring only)	3.7	n/a	0.3	0.2	0.3	0.3	0.3	0.4	0.2	0.2	0.3	0.2	0.4	0.3	1.2
RECPI07	<a href="#">Number of Data breaches</a>	It's better to be low	Well Below Target	37	11	16	18	21	22	24	31	33	37	2	2	4	0	8

## Running an Efficient Council: Performance of Monthly and Quarterly PIs



## Running an Efficient Council: Risks

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
RECR01	<a href="#">Failure of Transformation board to deliver on Transformation Projects to support future years budgets</a>	Medium to high (12)	20/07/16	3 - Possible	4 - Major	Caroline Taylor	Monitor income levels - Ensure that income levels across the council are being monitored by the relevant executive heads/directors and that any areas of concern are raised at SLT asap SLT review flash report, and Budget Implementation Tracker on a monthly basis to review progress against income targets. Pump prime projects and ensure greater investment to get timely benefits out in next 4 years.		
RECR02	<a href="#">Lack of effective workforce planning - retention of key/relevant skills across the organisation</a>	Medium to high (12)	15/02/16	3 - Possible	4 - Major	Anne-Marie Bond	Ensure that workforce plans are created for each department - Ensure that workforce plans are created for each department, and that these are kept up to date, and actions monitored on a regular basis. Workforce plans are currently being developed by HR in consultation with service areas.		
RECR03	<a href="#">Lack of robust and safe decision making</a>	Medium (9)	15/02/16	3 - Possible	3 - Moderate	Anne-Marie Bond	Ensure the application of consultation principals and that EIAs are carried out appropriately - Policy Development Groups (PDGS) have been set up to consider service change, new policy and policy review. PDGs are inclusive of all members to ensure that all members are given the opportunity to see and be involved with discussions around service change / policy development. EIAs are completed against service change / policy development and included in reports for members. This includes proposals in relation to budget setting. Consultation is developed in relation to service change / policy development and supported by the Corporate Support Team to ensure processes are robust.		
RECR04	<a href="#">Insufficient infrastructure and support across the Council including IT infrastructure</a>	Medium to high (12)	15/02/16	3 - Possible	4 - Major	Anne-Marie Bond	Ensure that workforce plans are kept up to date - Significant reductions in budgets across all support services mean that any further reductions could potentially result in a failure of support systems across the Council i.e. IT infrastructure		
RECR05	<a href="#">Budget overspend within arms length organisations, and contracted services</a>	Medium to high (15)	15/02/16	3 - Possible	5 - Critical	Anne-Marie Bond	Ensure effective performance monitoring and contract management is in place		
RECR06	<a href="#">The Council not achieving a balanced budget in year</a>	Medium to high (15)	15/08/16	3 - Possible	5 - Critical	Martin Phillips	Budget monitoring takes place throughout the year. As a result of the monitoring SLT to instigate recovery action.	DCS has considered options for partial recovery of the Children's services position. DAS will continue to challenge ICO to both reduce spend and accelerate CIP savings.	Accepted

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
RECR08	<a href="#">Cost shunting to the local authority as partners reduce resources.</a>	Medium (9)	15/02/16	3 - Possible	3 - Moderate	Anne-Marie Bond	Maintaining a robust Community Safety Partnership.		
RECR09	<a href="#">Failure to deliver the Council's Asset Management Plan</a>	Medium to high (12)	15/02/16	3 - Possible	4 - Major	Anne-Marie Bond	The Asset Management Plan sets out strategies to rationalise the number of assets, replace them where appropriate and improve the condition of those remaining through engagement with the private sector.		
RECR10	<a href="#">Risk of inadequate maintenance and repairs of our Council assets due to reducing budgets.</a>	High (16)	15/02/16	4 - Likely	4 - Major	Anne-Marie Bond	Assessment as to current state and options going forward is currently being undertaken.		
RECR11	<a href="#">Lack of appropriate and effective business continuity plans in the event of a large scale emergency.</a>	Medium to high (15)	22/07/16	3 - Possible	5 - Critical	Fran Hughes	SLT to ensure that Business continuity Plans are in place across the organisation and that future budget decisions take account of the resilience required to respond to emergencies.		Accepted

## Arms Length Organisations

### Strategic TOR2 Performance Indicators

A specific dashboard for TOR2 is being developed

### Strategic Torbay Coast and Countryside Trust Performance Indicators

In development

### Strategic Torbay Development Agency Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Quarterly Target	Quarter 2 2015/16	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Last period value
CU-06	<a href="#">Number of inward investment enquiries received</a>	It's better to be high	Well Below Target	50	10	21	29	40	5	5
EDCPI-001	<a href="#">0% variance from budget</a>	It's better to be low	Above Target	0.00	0.00	0.00	0.00	-2.50%	-4.00%	-4.00%

Code	Title	Polarity	Status	Prev Year End	Annual Target					Last period value
BUSR018	<a href="#">Total jobs created</a>	It's better to be high	Well Above Target	172	150	2015/16				170
EDCPI-006	<a href="#">Income from Torbay Council let estate</a>	It's better to be high	On Target	£2,708,014	£2,700,000	2015/16				£2,693,227
FE7	<a href="#">% Overall customer satisfaction</a>	It's better to be high	Well Above Target	5%	85%	2015				100%

### Strategic Torbay Development Agency Risks

Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
BURTDAR-001	<a href="#">Business growth, opportunities and diversification</a>	Medium to high (16)	02/08/16	4 - Likely	4-Major	Alan Denby	Develop support structures for businesses. 1. Develop Business centre programme to maximise the survivability and growth of early stage businesses. 2. Work with business support providers. Work to develop new business support products where required based on identified local need 3. Potential for more innovative solutions 4. Develop Inward investment programme including lead generation campaign, Deliver the required sites and premises required by local businesses including Claylands, EPIC and others 5. Develop skills and retraining opportunities Develop sector networks and links –health and creative sector opportunities to be explored. Identification of business growth & attraction of public money.		

# Agenda Item 8



**Meeting:** Audit Committee

**Date:** 7 September 2016

**Wards Affected:** All Wards

**Report Title:** External Audit Appointment Update

**Is the decision a key decision?** No

**When does the decision need to be implemented?** December 2017

**Supporting Officer Contact Details:** Martin Phillips, Chief Finance Officer, (01803) 202285 and martin.phillips@torbay.gov.uk

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As a result of the Local Audit and Accountability Act 2014 the Council has to appoint its External Auditor for 2018/19 by December 2017. This process has been added as regular update to Audit Committee. There are three main options for the Council in appointing an External Auditor:

## **1) Use PSAA Limited**

In July 2016 DCLG has appointed Public Sector Audit Appointments Limited (PSAA) as an “appointing body for audit appointments at principal local government bodies”. PSAA is a company limited by guarantee owned by the Local Government Association (LGA).

This means that PSAA will organise a tender and selection process for external auditors on a national basis (aim by June 2017). Torbay can choose to opt into this national appointment arrangement (expected invites in December 2016). Torbay has previously “expressed an interest” in the national approach.

This arrangement is the simplest procurement approach with fees and contracts based on a national procurement. However Torbay would be unlikely to have any local choice of the auditor appointed.

## **2) Torbay appoint own auditor**

This is a viable option for Torbay, but would require more work initially in terms of procurement, contracting and potentially variation on fees. The benefit is that Torbay would be in control of its own appointment and relationship with external auditor. There is likely to be interest in the Torbay audit from members of the “big four” accountancy firms which could result in competitive price and a more personalised service.

If Torbay chooses this route it would have to establish an Audit panel where the majority of the members of the panel are independent of the Council. This may not be an issue if the Council uses, as its audit panel, an audit committee of another

public sector body, potentially a health body who have been appointing their own auditors.

**3) Torbay appoints own auditor in a joint tender with other councils.**

To date Torbay has not been approached by any other Council, but this issue will be raised at a Devon S151 officer meeting in October. In this case it would be logical for the Councils involved to share the procurement costs and set up one shared audit panel.

I welcome any views that Audit Committee may have. A report on Torbay's preferred approach will be presented to Audit Committee at its November meeting.

# Audit Committee update Torbay Council

*Year ended 31 March 2016*

September 2016

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**Alex Walling**

Associate Director

T 0117 305 7804

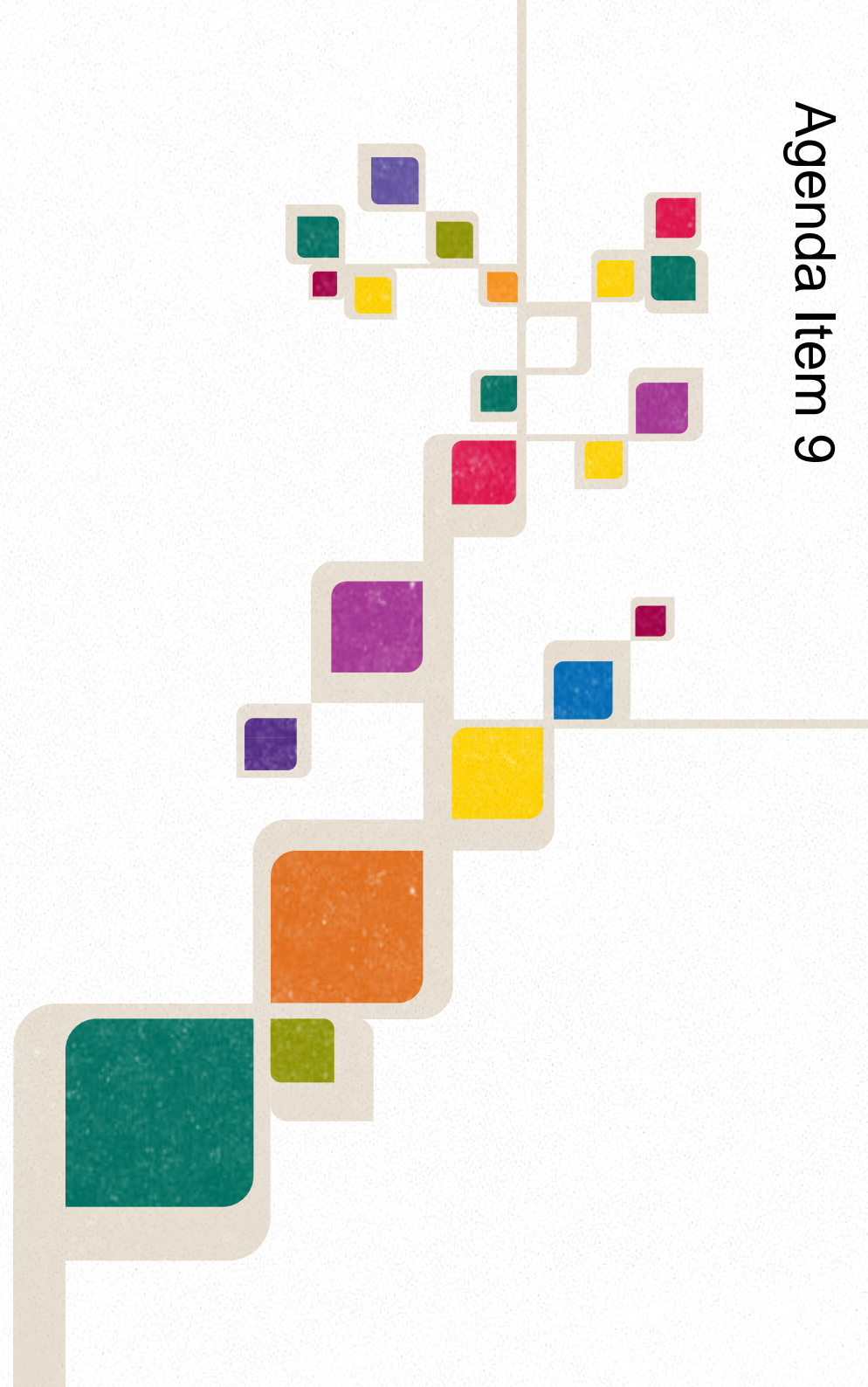
E [alex.j.walling@uk.gt.com](mailto:alex.j.walling@uk.gt.com)

**Mark Bartlett**

Manager

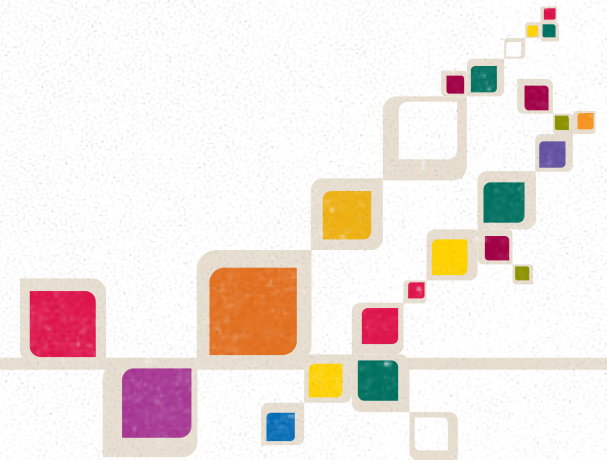
T 0117 305 7896

E [mark.bartlett@uk.gt.com](mailto:mark.bartlett@uk.gt.com)





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.



# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit 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. Here you can download copies of our publications:

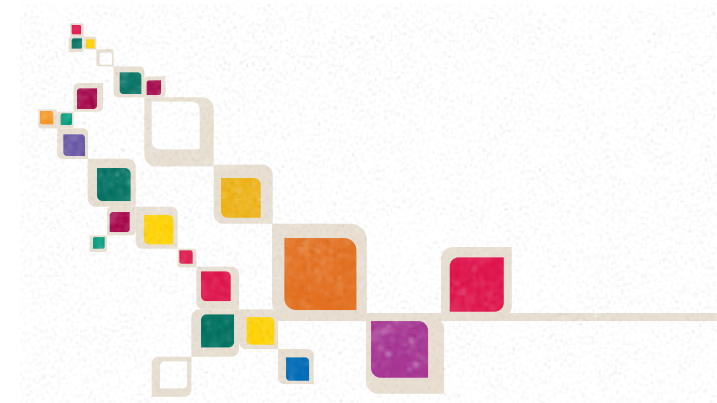
- Innovation in public financial management (December 2015); [www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/](http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/)
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); [www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Making devolution work: A practical guide for local leaders (October 2015) [www.grantthornton.co.uk/en/insights/making-devolution-work/](http://www.grantthornton.co.uk/en/insights/making-devolution-work/)
- Reforging local government: Summary findings of financial health checks and governance reviews (December 2015) <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>,

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

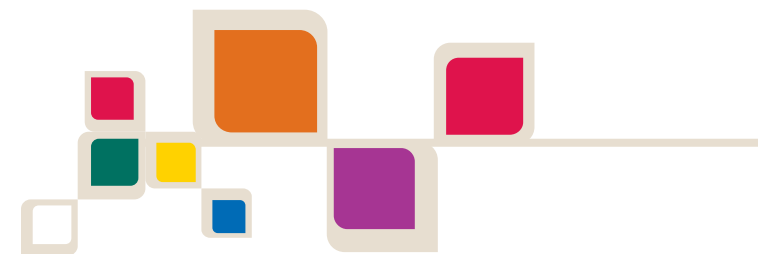
**Alternative delivery models:** Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government. <http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

**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/>

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.

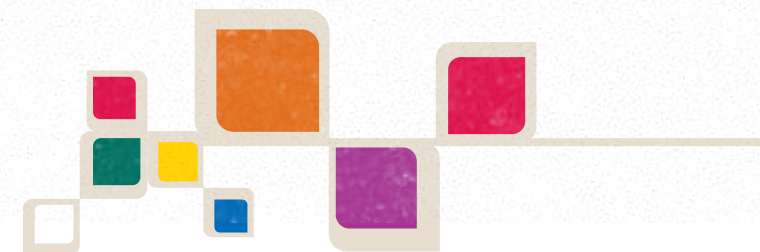


# Progress at 25 August 2016



2015/16 work	Planned Date	Complete?	Comments
<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	Yes	The 2015/16 fee letter was issued in April 2015.
<p><b>Accounts Audit Plan</b></p> <p>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 2015-16 financial statements.</p>	March 2016	Yes	The Audit Plan was presented to your March meeting
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's 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>• Value for Money conclusion risk assessment.</li> </ul>	Jan – March 2016	Yes	The results of our interim audit were presented to your March meeting.
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</li> </ul>	June – July 2016	Yes	The Audit Findings Report was presented to your July meeting.

# Progress at 25 August 2016

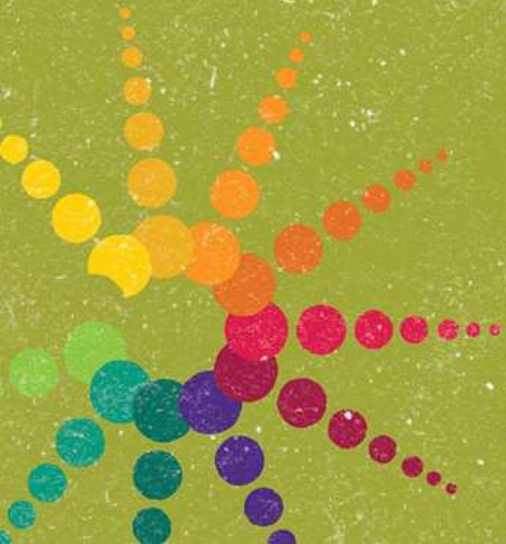


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2015/16 work	Planned Date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to 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"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	March - July 2016	Yes	The results of our work on VfM were reported in the Audit Findings Report to the July meeting of the Audit Committee.
<p><b>Annual Audit Letter</b></p> <p>A summary of all work completed as part of the 2015/16 audit.</p>	October 2016	No	The Annual Audit Letter will be presented at your November meeting.
<p><b>Other areas of work</b></p> <ul style="list-style-type: none"> <li>• Housing Benefits Subsidy Claim</li> <li>• Teachers' Pension return</li> </ul>	Sept – Nov 2016	No	Our work on the housing benefits subsidy claim is in progress.
<p><b>Other activities</b></p> <ul style="list-style-type: none"> <li>• Our annual financial statements workshops, run in conjunction with CIPFA were held in February and March. Torbay officers attended the Exeter event on 17 February 2016.</li> <li>• We held a half day seminar in Taunton on 11 February 2016 on building a successful local authority company. Torbay officers were invited to the event but were unable to attend on the day.</li> </ul>			

# Grant Thornton Sector Issues

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# Brexit: What happens next and what does it mean for you?

The people of the UK have made a decision to leave the EU. What happens next - and the implications for businesses and organisations in the UK - is less clear.

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We have produced an analysis of what we know about the mechanics of leaving the EU, our assessment of some of the external factors that may affect organisations over the coming months and years, and a summary of the different models for trading relationships outside the EU. This can be found on our website and we have attached copies to this report.

In thinking about the impact organisations will want to consider not only legal and regulatory changes but also market reactions, consumer and business behaviours, and the wider political and economic environment. The Council will have a role in both shaping its own response and in helping organisations in the City respond to a changing environment. We can expect three broad phases of reaction to Brexit:

- initial volatility
- medium term uncertainty and instability
- longer term transition

The impact of this will be different for every organisation. In looking at the threats and opportunities these phases create, and planning how the Council can create and protect value, you may wish to consider the short, medium and long term implications for issues like people and talent, strategic ambitions, financing, risk, operations and protecting investment.

We believe that in the coming weeks and months, dynamic organisations have a critical role to play in helping to shape the future of Britain. Grant Thornton is leading a campaign which explores how we can build a vibrant economy. You can find out more here: <http://vibranteconomy.co.uk/>

We would welcome views on what the priorities should be for government and the UK to create a new economy outside the EU.

Emerging 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.

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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.

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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 <IR> 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.

<Integrated Reporting>

Further information is available on the IIRC's website



# Grant Thornton Technical update

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## 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 new measurement requirements at depreciated replacement cost for the Highways Network Asset (HNA) and
- 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.

In respect of HNA, the Accounting Code requires local authorities to comply with the CIPFA Code of Practice on Transport Infrastructure Assets issued in 2013. The Transport Infrastructure Code is currently being revised and will be reissued as the Highways Network Asset Code (HNA Code) over the summer of 2016. Whilst no major changes are expected to the basis of the accounting set out in the previous Code of Practice on Transport Infrastructure Assets, the detailed accounting requirements will not be finalised until the updated HNA Code is formally issued.

The key challenge for local authorities is around the accuracy and completeness of supporting records for HNA inventory and condition at 1 April 2016 and effective arrangements for recording expenditure and other movements on HNA from that date.

We are preparing a series of briefings to support clients in implementing these changes, the most recent of which was provided to officers in August.



## Accounting and audit issues

### 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.

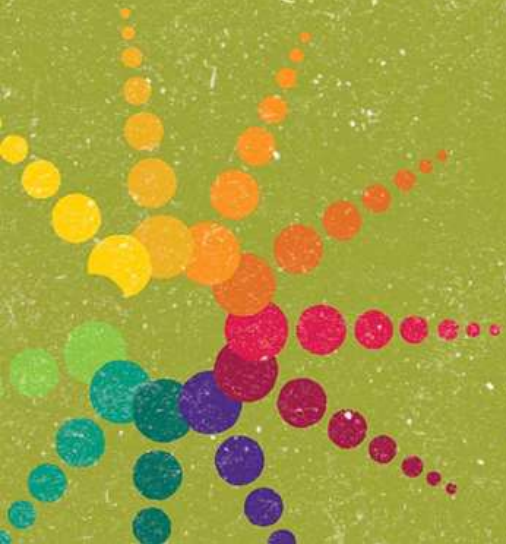
The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services 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

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# 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.

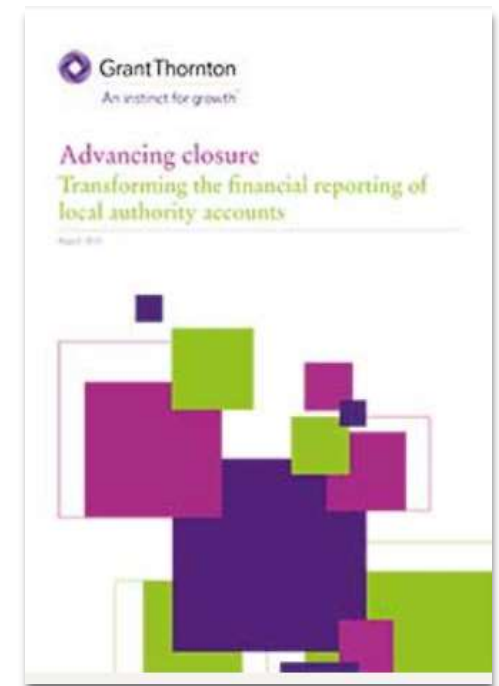
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In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements 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 details:
- 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/>

# Future events and workshops

## *Income generation workshop -13 October*

Income generation is an essential part of the solution to funding local services in the future. If service cuts up to and beyond the statutory minimum are to be avoided, then income generation must be the next area of focus for local authority finances.

The aim of these events is to bring together senior leaders from local government and the private and investment sectors to stimulate cross-sector debate and consider current and future funding models.

## *Advancing Closure & Highways Network Asset update – 19 October*

This workshop is aimed at local authority practitioners and will consider the main factors for authorities to consider in accelerating their financial reporting procedures to produce their year-end accounts.

The introduction of the new Highways Network Asset Code will be a key consideration for local authorities in its future plans for faster closure and for its 2016-17 accounts preparation.

### Grant Thornton events



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