



Tuesday, 15 November 2016

AUDIT COMMITTEE

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

Wednesday, 23 November 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 Darling (S)

Councillor O'Dwyer (Vice-Chair)

Councillor Stocks

A prosperous and healthy Torbay

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

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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 - 6)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 7 September 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. **Follow Up Report on Areas Requiring Improvement** (Pages 7 - 19)
To consider the attached report.
6. **Update on the Audit of Section 106 and progress on the implementation of the Community Infrastructure Levy** (Pages 20 - 24)
To receive a report that provided an update on the implementation of recommendations made by Internal Audit regarding the monitoring of Section 106 contributions.
7. **Senior Leadership Team response to Appendix A: Action Plan of the The Audit Findings for Torbay Council** (Pages 25 - 26)
To note the attached report.

8. **Performance and Risk Report August and September 2016** (Pages 27 - 48)
To note the report.
9. **The Annual Audit Letter for Torbay Council** (Pages 49 - 64)
To consider the Annual Audit Letter which summarises the key findings arising from the work that Grant Thornton had undertaken at Torbay Council for the year ended 31 March 2016.
10. **Audit Committee Update for Torbay Council** (Pages 65 - 73)
To note a report on progress in delivering Grant Thornton's responsibilities as the Council's external auditors.
11. **External Audit Appointment Update** (Verbal Report)
To receive a verbal report on the appointment of an external auditor.



Minutes of the Audit Committee

7 September 2016

-: Present :-

Councillor Tyerman (Chairman)

Councillors Barnby, Bent, O'Dwyer (Vice-Chair) and Stocks

56. Apologies

Apologies for absence were received from Councillor Darling (S) and Alex Walling (Grant Thornton).

57. Minutes

The Minutes of the meeting of the Audit Committee held on 27 July 2016 were confirmed as a correct record and signed by the Chairman. Members sought an update on Minute 49 in particular the formal response from the Senior Leadership Team regarding the management response provided by the Executive Head of Customer Services in Appendix A: Action Plan of The Audit Findings for Torbay. Members were advised that a response would be provided to the Audit Committee on 23 November 2016.

58. Treasury Management Mid-Year Review 2016/17 and Revised Minimum Revenue Provision Policy 2016/17

Members considered a report that provided Members with a review of Treasury Management activities during the first part of 2016/17. The treasury function aimed to support the provision of all Council services through management of the Council's cash flow and debt and investment operations. The report also set out changes in policy for future decisions arising from the referendum vote for the UK to leave the European Union.

Resolved:

That Council be recommended to:

- (i) note the Treasury Management decisions made during the first part of 2016/17 as set out in the submitted report;
- (ii) that an increase to the maximum exposure to Peer to Peer Lending from £200,000 to £500,000 as set out within Section 7 of the submitted report be approved;

- (iii) that the performance of Prudential and Treasury Indicators as set out in Appendix 4 to the submitted report be noted; and
- (iv) that the revised Minimum Revenue Provision Policy Statement for 2016/17 as set out in Appendix 2 to the submitted report be approved.

59. Performance and Risk Report July 2016

Members noted the performance and risk data up to July 2016, Members noted that following the last Audit Committee a column for risk mitigation progress had been included and the indicators for 'keeping children safe and protected' has changed to be more in line with setting targets.

Members were still concerned that the performance data was not 'getting to the heart of the matter' with the balance between qualitative and quantitative data being the difficulty. The Assistant Director for Business and Corporate Services advised Members that the Senior Leadership Team spent a great amount of time discussing the indicators that should be monitored; ease of gathering the data did not enter the equation, the discussions centred on the key areas that the Council needed to oversee and monitor.

Members requested informal briefings be arranged with the relevant service manager with the first few briefings considering front line services.

60. External Audit Appointment Update

Members considered a report that set out a number of options for the appointment process of an external auditor. The Chief Finance Officer sought members views as to which would be the preferred option, Members could see advantages and disadvantages with all the options. Members requested that all Devon authorities be surveyed as to their preference and should the Chief Finance Officer's view be to proceed with option 2 (Torbay appoint their own auditor) then a full cost analysis be presented to Members before progressing.

61. Audit Committee Update

The Committee considered a report that provided an update on the progress Grant Thornton had made in delivering their responsibilities as the Council's external auditors. Mark Bartlett of Grant Thornton directed Members to a number of publications such as 'Brexit: What happens next and what does it mean for you?'

Mark advised that the Department for Communities and Local Government (DCLG) had issued a direction and statutory guidance on the flexible use of capital receipts to fund the revenue costs of reform projects, with the direction being applied from 1 April 2016 to 31 March 2019. The Assistant Director of Business and Corporate Services sought clarification as to whether the direction applied to capital receipts already received or just to capital receipts received during this period.

Mark further advised that regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. Mark informed Members that Torbay was ahead of the game and he along with the Chief Finance Officer would be presenting at a workshop as an example of good practice.

62. Exclusion of the Press and Public

Prior to consideration of the item in Minute 63 the press and public were formally excluded from the meeting on the grounds that the item involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

63. Internal Audit Report - School Place Planning

At the meeting of the Audit Committee on 27 July 2016, Members requested the opportunity to consider the Internal Audit report on School Place Planning and seek reassurance that the recommendations set out in the report were being implemented and whether the recent Council report on the requirements for a new primary school in Paignton reflected the recommendations of the Internal Audit report. The Schools Capital and Planning Manager and Head of Asset Management and Housing reassured Members that the recommendations had been implemented and resulted in more frequent discussions with colleagues across the Council.

The Head of the Devon Audit Partnership advised that an internal audit report, was a snapshot of a moment in time and did not reflect changes to guidance and legislation that had happened since the audit was undertaken.

Chairman/woman



Internal Audit Report

Follow Up Report on
Areas Requiring
Improvement

Torbay Council

November 2016

OFFICIAL



Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

At the July Audit committee members were provided with the Annual Internal Audit report for the Council. Appendix 4 of that report provided a summary of the audits undertaken during 2015/16, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvements required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

Members discussed and accepted the report; however, members have previously found it beneficial to receive a report on progress on the “improvement required” areas highlighted in Appendix 4 to the report.

As part of adding value, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix A.

Assurance Statement

Our assurance opinion remains as reported in our Annual Audit Report 2015/16. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should the lack of progress made against certain individual audit management action plans continue.

Progress Impact Assessment

The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. However the lack of progress made in certain action plans means a number of the risks previously identified and highlighted to management continue to remain. In particular there remain three areas where progress has been limited:

- Corporate Debt;
- ICT Change Control;
- ICT Hosted Systems

The effective recovery of income is important in the climate of continued budget reductions and the need to deliver ‘more for less’.

We understand that the limited resources in IT are affecting ability to deliver some of the recommendations in the audit reports, which indirectly could affect the delivery of IT elements of the Council’s Transformation Programme. However, it is understood that the IT elements of the Transformation Programme are yet to be defined.

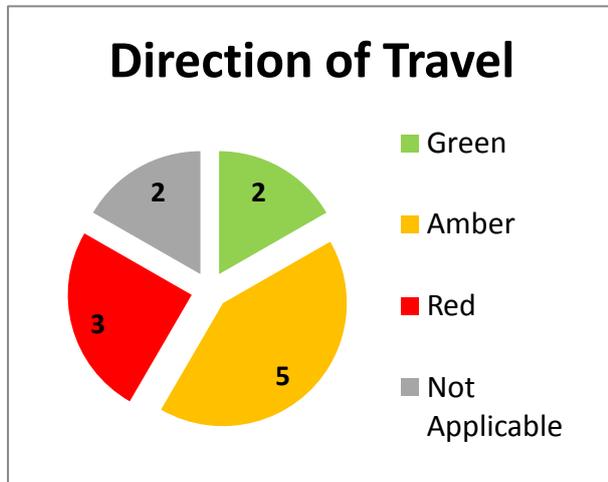
In addition, where agreed actions are set for future dates, and have therefore not formed part of this follow up exercise, the identified risks will remain until such time as the actions are complete.

This follow up activity was an opportunity to facilitate, review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation’s strategic management arrangements.

Progress

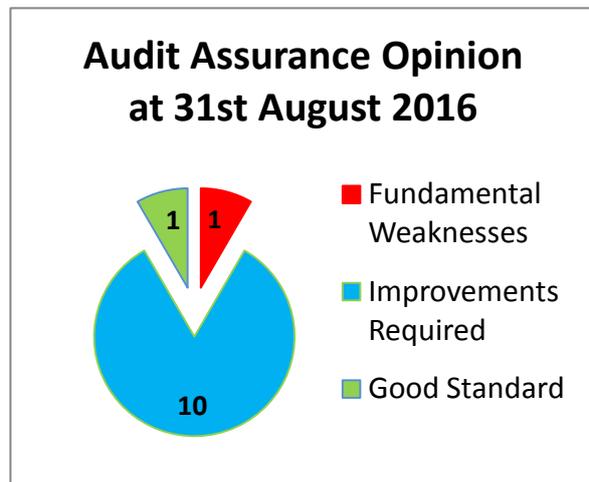
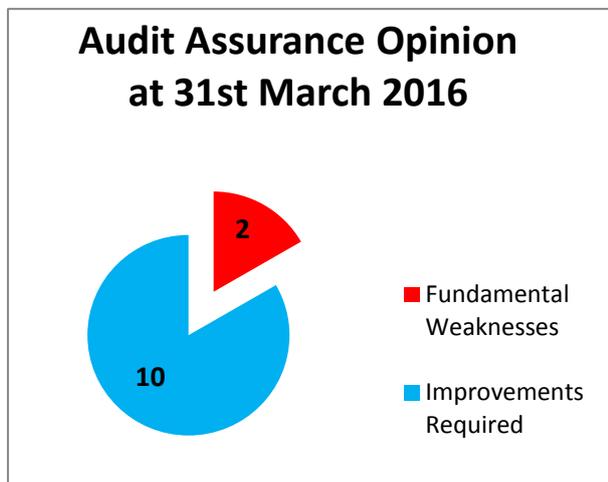
Some progress has been made against the agreed action plans as shown in the 'Direction of Travel' chart. The subsequent charts record the resulting change in audit assurance opinion based upon the follow up work undertaken.

It should be noted that a small number of the audits were not followed up due to the timing being inappropriate, linked to the timing of the agreement to the action plan for the original reports, hence in these instances the original assurance opinion remains.



Direction of Travel Key

Green – action plan implemented or being implemented within agreed timescales;
Amber – implementation of action plan not complete in all areas or overdue for key risks;
Red – implementation of action plan not complete and we are aware progress on key risks is not being made.
N/A – follow up not appropriate at this time / opportunity for progress has been limited



Although the audits previously followed up in 2015/16 are not subject to further formal audit follow up, for continuity and the avoidance of doubt we have analysed the previous year's output to provide an indication of areas that may require further Management input.

Total audits still at Improvements Required from 2015/16 annual follow up report			
Areas subject to follow up activity within 16/17 planned audit work			Audit areas potentially requiring Management review of progress against previous audit recommendations
Material Systems (annual audits)	Project activity	16/17 audits	
3	1	3	<ul style="list-style-type: none"> • Parking Services • Children's Services External Contracts • Bereavement Services

Internal Audit Coverage and Results

Overall we can report that for the majority of audits progress is being made against the agreed recommendations following our initial audit and this is shown in the direction of travel chart above and in Appendix A of this report. A significant number of opinions remain unchanged at this time although this does not in all cases reflect lack of action.

It should be noted that in a number of instances action is being taken to address the issues identified, but this is ongoing and therefore we have been unable to form a new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been completed, but this is as expected.

Some agreed actions have not been implemented for a variety of reasons including strategic and operational changes in the service area and the need to prioritise resource in other directions. We shall work with management in determining revised implementation dates to ensure that actions are taken as promptly as is possible to address the risks identified.

During our initial audit work we have made reference to areas where risk exists; however in some cases it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management agree to accept this risk, and use other monitoring arrangements to ensure that the risk is kept to a minimum. In such cases we are unable to provide an improved audit opinion, although we fully recognise that the risk is identified, managed and management will resolve the issue as and when opportunities arise.

Appendix A of this report sets out the audits at the end of 2015/16 which were identified as 'improvements required' or 'fundamental weaknesses'. The appendix shows the current (updated) assurance opinion following our follow up work, and a 'direction of travel'. We have also provided some more detailed commentary on progress being made. Appendix B provides a definition of the assurance opinion categories.

Annual Governance Statement

The conclusions of this report provide further internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

These should be considered along with the conclusions from the Annual Audit Report 2015/16 presented to the Committee in July 2016.

Process

For each service area where an overall audit opinion of “improvements required” or “fundamental weaknesses” was provided at the end of 2015/16 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependent upon the priority of the agreed recommendation.

For recommendations of "low" priority we required written confirmation that the action had been enacted upon, or an update on the progress being made.

For "medium" priority recommendations we required written confirmation that the action has been enacted upon, or an update on the progress being made, plus some evidence to support this. For example, if the recommendation was for a monthly imprest reconciliation to be produced and signed as correct, then a copy of the most recent reconciliation was required.

For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.

Following the completion of our review we considered the progress made against of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified, and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.

It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of those previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work

Summary of Audit Follow and Findings 2015-16

Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Direction of Travel - Key

Green – action plan implemented or being implemented within agreed timescales;
 Amber – implementation of action plan not complete in all areas or overdue for key risks;
 Red – implementation of action plan not complete and we are aware progress on key risks is not being made.
 * report recently issued, opportunity for progress has been limited

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2016	Updated Audit Assurance Opinion as at 31 August 2016	Commentary and residual risk	
Corporate and Business Services					
Material Systems (includes all material systems for reporting completeness purposes, however direct responsibility for certain areas is within Community and Customer Services)					
Material systems audits and as such any recommendations made and associated agreed actions are followed up as part of the annual audit process. The 2015-16 annual audit work is complete, which includes the follow up of the 2014-15 recommendations and which will be reported in our six monthly performance outturn report.					
CTAX & NDR (2014-15)	ANA - Medium	Improvements Required	Improvements Required	The audit found that there had been limited progress made against previous recommendations and as such our original assurance opinion remains.	
Creditors (2014-15)	ANA - High	Improvements Required	Improvements Required	The audit found that although a small number of recommendations are not yet due, there had been progress made against a majority.	
Corporate Debt (2014-15)	ANA - Medium	Improvements Required	Improvements Required	The audit found that there has been a lack of progress in implementing a number of recommendations made last year, hence the significant number of issues that have been re-reported.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2016	Updated Audit Assurance Opinion as at 31 August 2016	Commentary and residual risk	
Other					
Human Resources	ANA - High	Improvements Required	Good Standard	<p>We can confirm that good progress has been made by management in addressing the risks identified in the original audit. The majority of agreed actions have taken place, with revised practices now in operation, albeit in their infancy. Continued operation of these practices will considerably reduce the level of risk. A few recommendations remain to be completed; however we are confident that these will soon be addressed.</p> <p>Originally the key area of concern related to the risk of unsafe or illegal hiring. However, there have been significant improvements to the control framework resulting in improved practices and an associated reduction in risk.</p>	
Section 106	ANA - Medium	Fundamental Weaknesses	Improvements Required	<p>Progress against a number of the original recommendations and agreed actions has been made.</p> <p>Previously, Section 106 payments were not consistently reviewed or evidenced within Planning resulting in risks of allegations against planning officers and legal challenge; however a process has now been implemented to address this. Development reports are produced and presented to the Development Management Committee and are centrally retained. There are now full specifications of Section 106 payments and calculations with a supporting protocol established.</p> <p>An overarching S106 monitoring process has been established in theory; however this is not as yet operational. We have been advised that implementation of the process would require financial investment and this is at present being reviewed. The need for an over-arching monitoring process remains, as do the associated risks.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2016	Updated Audit Assurance Opinion as at 31 August 2016	Commentary and residual risk	
Community and Customer Services					
Corporate Security and CCTV	ANA - Medium	Improvements Required	Improvements Required	<p>There has been significant progress in relation to the actions related to the organisations building security. A new policy has been established and it is intended that this will form part of the Council's existing information security framework; a new building security system has been procured and implemented. Supporting processes are being established through an ongoing Building Security project team.</p> <p>The Security service remains under review. An informal review of the service has been undertaken, however this needs to be formalised and include all necessary elements, such as ongoing delivery methods; clear definition of provision; and consideration of areas such as ongoing service continuity.</p> <p>We understand that future provision of the CCTV Service is subject to review within the organisation's Transformation Programme, and as such the agreed actions have not been progressed. Therefore the associated risks remain as originally reported.</p>	
Museum Services	ANA - Low	Improvements Required	N/A	The report was in draft at the time of the 2015-16 annual report. It has now been issued in final and a management action plan agreed.	N/A*
IT Audit					
Change Control (follow up)	ANA - High	Improvements Required	Improvements Required	We have undertaken a full audit of the Change Control process as part of the agreed 2016/17 audit plan. This incorporated a follow up of the previous audit, which identified that little progress had been made and as such our assurance opinion remains as originally reported.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2016	Updated Audit Assurance Opinion as at 31 August 2016	Commentary and residual risk	
Hosted Services – Checklist for Cloud Services	ANA - High	Improvements Required	Improvements Required	<p>Progress against the agreed recommendations has not been undertaken as originally expected. The agreed actions have not yet taken place and as a consequence the level of risk has not been reduced.</p> <p>There is an established Procurement framework in place within the Council; however, the procurement of hosted IT solutions is not yet fully integrated within this. The lack of the integrated framework currently puts the Council at greater risk of systems being procured that do not comply with expected practice and associated legislation.</p>	
Database Administration	ANA -High	Improvements Required	Improvements Required	<p>Some progress against the agreed recommendations has taken place with a small proportion either completed or in progress. A large majority of recommendations remain outstanding as the agreed actions are not yet due for completion. Timescales for these recommendations remain as originally agreed; however as these are not yet due, the level of risk remains as originally reported.</p>	
Service Operation - Corporate Access Management	ANA - High	Improvements Required	Improvements Required	<p>A number of the weaknesses are Corporate issues and therefore not the direct responsibility of IT Services (refer to Corporate Security and CCTV Audit on page 9). Some progress against the agreed recommendations has taken place. We note that a number of recommendations remain to be completed. Management have provided assurance that these issues will be addressed in the near future.</p> <p>There has been some progress in relation to the management of user accounts, particularly non-standard accounts, however in some cases although the new process has been established, it's in its infancy and we are therefore unable to establish the effectiveness. Similarly, we understand that there is a new Corporate leaver process in place, again, this is in its infancy.</p>	

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2016	Updated Audit Assurance Opinion as at 31 August 2016	Commentary and residual risk	
Transition Children's to Adults - SEND	ANA - Medium	Fundamental Weaknesses	N/A	The report was in draft at the time of the 2015-16 annual report. It has now been issued in final and a management action plan agreed.	N/A*

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

Confidentiality under the National Protective Marking Scheme

Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

Agenda Item 6



Title: Update on the Audit of Section 106 and progress on the implementation of the Community Infrastructure Levy (CIL)

Wards Affected: All Wards

To: Audit Committee On: 23 November 2016

Contact Officer: Mark Irving

☎ Telephone: 01803 207795

✉ E.mail: mark.irving@torbay.gov.uk

1. Key points and Summary

1.1 At its meeting on 27 July 2016 Members considered the 2015/2016 Annual Audit Report which provided an opinion on the overall adequacy and effectiveness of the Council's internal control environment. Internal Audit's review of the process surrounding Section 106 Agreement contributions resulted in an initial opinion of fundamental weaknesses as there were a number of instances where controls and procedures did not adequately mitigate the risks identified. Recommendations were made to ensure organisational objectives were not put at risk. The Audit Committee requested an update be provided to a future meeting.

1.2 Community Infrastructure Levy (CIL) is a tax levied on development of more than 100 sq m of floorspace, or new-build dwellings. It will partially –but not completely- replace s106 Obligations.

CIL is regulated by the Community Infrastructure Levy Regulations 2010 (as amended). The regulations require CIL to strike an appropriate balance between the need to fund infrastructure and the effects of CIL on viability. CIL may **not** be used as a policy making tool to influence the location of development.

2. Introduction

Section 106

2.1 The Executive Summary from the original March 2015 Section 106 audit report stated:

“Planning applications are subject to review and authorisation by the Development Management Committee.

Section 106 payments are detailed in agreements drawn up by the Legal Team in liaison with the planning department; however the basis for the agreements is not consistently reviewed or evidenced within Planning resulting in risks of

allegations against planning officers and legal challenge. The agreed payments as defined within the s106 agreements, are due once trigger points have been reached. Weaknesses have been identified in the lack of information flowing between departments to ultimately advise Finance to instigate billing, leading to a risk of income not being billed as required. This could result in contributions not being collected and a reduction in potential income to the Authority. In one instance identified during the audit a payment of £105k remained uncollected.

Contributions received are recorded in the Financial Management Systems under the relevant schemes however issues have been identified and reported relating to the expenditure of these contributions at Service Area level. There is currently no effective end to end process monitoring method in place to ensure spending of the contributions is in line with the s106 agreements. This leaves the Authority open to legal challenge and potentially financial loss were the contractor(s) to request repayment under the terms of the agreement.

It is evident from the findings that an over-arching monitoring process needs to be implemented to provide a more efficient and effective means for managing Section 106 payments as an end to end process. It is understood that there may be some scope to utilise an element of Section 106 / CIL monies to fund such an implementation”.

- 2.2 Following that first audit report, officers undertook work to improve controls and procedures and reduce risks. In September 2016 the Follow Up Report was published, and at that time the revised audit opinion was raised to improvements required. Whilst the direction of travel is right, there is further work to be done particularly in the areas of collection and spend.
- 2.3 The audit had identified two main risks and these were combined in both reports to produce an overall level of assurance. The table below summarises the assurance opinions for each of these two areas:

Risk Covered		Level of Assurance	Updated Level of Assurance
1	Contributions are incorrectly calculated	Fundamental Weaknesses	Good Standard
2	Related amounts are not collected, or not spent in line with the s106 agreement	Improvements Required	Improvements Required

- 2.4 A summary of updates on the audit recommendations is contained in the table below:

Risk No.	Priority	Recommendation	Update
1.1.1	Medium	That Hampshire County Council's website is not used to obtain Retail Price Indexing (RPI) figures	Implemented – The central government website is used to obtain RPI figures
1.2.1	Medium	Ensure clients are aware that deferred payments may be subject to RPI	Implemented – Planning application acknowledgements now explain this to all

			applicants/agents
1.3.1	High	Copy of the spreadsheet used to calculate Section 106 payments should be retained in the relevant electronic folder	Implemented – Planning Officers have been issued with & reminded of an instruction to retain calculations
1.3.2	Medium	Responsibility for updating the accuracy of the spreadsheet be assigned to specific individuals	Implemented – Lead officer assigned and quarterly review meetings are held, any necessary changes made accordingly
1.4.1	High	Details of mitigation should be documented and reviewed at sign off by a senior officer	Implemented – Mitigation is covered in the publically available officer report.
2.1.1	High	The various departments should liaise to establish a formal reporting process to ensure that developers are being billed at the appropriate time and trigger points are not being missed	The theory of a central service providing overarching S106 monitoring process has been established; however implementation would require financial investment which is currently being reviewed.
2.1.2	High	Establish whether the sample identified as not being invoiced owes any of the £105,000 tourism payment in lieu of works being carried out within a 24 month period	Implemented - Just over £80,000 worth of improvements were undertaken in time. The remaining £24,465 plus interest was invoiced in July 2016 and subsequently paid.
2.1.3	High	Section 106 payments received should be checked with Debtor Administrator to ensure the amount is correct.	This is envisaged to be one of the roles of the central service.

Risk No.	Priority	Recommendation	Update
2.2.1	High	A formal monitoring process should be put in place to ensure monies are spent in line with the agreement	This is envisaged to be one of the roles of the central service.
2.2.2	High	It should be established with Legal if the authority is in breach of its agreements were money is not spent as agreed or not spent within a given timeframe.	Legal advice confirmed such a situation may constitute a breach and ensuring this does not occur is envisaged to be one of the roles of the central service.

Community Infrastructure Levy (CIL)

- 2.4 Torbay is proposing a relatively “narrow” CIL with CIL being sought on smaller and non-strategic residential developments, where viable to do so. A varying rate of between zero and £140 per sq m is sought on residential sites. The Council is seeking to use s106 Obligations to negotiate the provision of infrastructure from larger developments in “Future Growth Areas”. The reason for this approach is that it is more effective to use s106, rather than CIL, to deliver infrastructure needed for major schemes.
- 2.5 It is proposed to seek CIL on out of town centre retail and food/drink uses at £120 per sq m; all other uses including employment, tourism and town centre retail would not pay CIL.
- 2.6 There is considerable flexibility about how CIL may be spent. It is currently proposed to use CIL towards the South Devon Highway and mitigating the effect of development on grassland in the Berry Head Special Areas of Conservation.
- 2.7 Torbay’s CIL Draft Charging Schedule was the subject of an Examination Hearing on 9th November 2016. The Examiner’s Report is expected in early December. The Examiner may recommend that CIL can be adopted, rejected or adopted with Modifications. Following receipt of the Examiner’s report (and advertisement of Modifications as necessary), CIL must be adopted by full Council.
- 2.8 It is difficult to predict how much CIL could raise. However it is estimated that the current approach could raise around £400K per year when up and running. A wide use of CIL for strategic sites could raise about £1.2m per year: but there would be a loss of S106 funding and direct on site provision of infrastructure and affordable housing.
- 2.9 The Council recently consulted on a draft **Planning Contributions and Affordable Housing SPD**. This is being reported to Council in December 2016. When adopted, it will replace the former SPD which was adopted in 2007 and updated in 2011.

3. Conclusions

- 3.1 Whilst the revised audit opinion of the Section 106 process has been raised to

improvements required. There remains further work in the areas of collection and spend.

- 3.2 There is an ongoing risk that the Council is not monitoring trigger points as efficiently as it could. This in turn means that invoices can either be raised late, or fail to be raised and income opportunities could be missed.
- 3.3 It was envisaged that the setting up of a centralised team and IT system to monitor Section 106 agreements could significantly reduce the risks to the Council and ensure contributions due were paid and spent correctly. This requires investment both in terms of resources and budget and further work needs to be done by officers to establish the way forward in this regard.
- 3.4 The introduction of Community Infrastructure Levy will require even closer monitoring than Section 106, adding further weight to the argument of a centralised team and dedicated monitoring IT system. CIL also brings with it an opportunity to fund this, as a 5% administrative charge to cover the costs of setting up and monitoring CIL can be levied.
- 3.5 Work to fully implement the recommendations of the Section 106 Audit and in preparation for the forthcoming CIL charging regime will need to continue to further reduce risks to the Council. Options for improving monitoring will actively be considered over the coming months and will likely be a key consideration in transforming the way the Council works.

Kevin Mowat
Executive Head of Business Services

Appendices

None

Background Papers:

The following documents/files were used to compile this report:

Internal Audit Follow Up Report Section 106 Agreements	September 2016
Internal Audit Report Section 106 Agreements	March 2015
Draft Planning Contributions and Affordable Housing SPD	September 2016



Title: **Senior Leadership Team Response to Appendix A: Action Plan of The Audit Findings for Torbay Council**

Wards Affected: **All**

To: **Audit Committee** On: **23 November 2016**

Contact Officer: **Anne-Marie Bond, Assistant Director of Corporate and Business Services**

Telephone: **(01803) 207015**

E.mail: **Anne-marie.bond@torbay.gov.uk**

1. Key points and Summary

- 1.1 At the Audit Committee on 27 July 2016 Members considered the 2015/2016 Annual Audit Report provided by Grant Thornton (minute 49 refers). Members requested the Senior Leadership Team provide a view on the response from the Executive Head of Customer Services set out below:

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5	<p>The Council should consider implementing a review of security logs relating to information security events on each system and the network should be formally reviewed for the purpose of detecting inappropriate or anomalous activity.</p> <p>These reviews should be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p>	Medium	Not agreed - staffing levels do not allow for the routine examination of logs.	Bob Clark – Executive Head Customer Services
6	The Council should consider removing administrative access from those responsible for payroll management	Medium	Not agreed - Due to the size of the team it is not feasible to remove system administration from the Payroll Manager responsibilities.	Bob Clark – Executive Head Customer Services

7	Passwords should be set to renew between 30 - 60 days to ensure a robust protection against unauthorised access.	Medium	Not agreed - the system is set up to force a password change after 90 days, disable a user after 21 days of inactivity and time out after 30 minutes (as recommended by supplier due to core running of tasks).	Bob Clark – Executive Head Customer Services
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1.2 The Senior Leadership Team have confirmed that they agree with the response provided by the Executive Head of Customer Services and accept the risk of not implementing the recommendations.

Anne-Marie Bond
Assistant Director of Corporate and Business Services

Appendices

None

Documents available in members' rooms

None

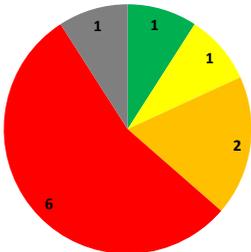
Background Papers:

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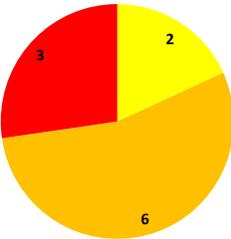
2015/2015 Annual Audit Report
Minutes of the Audit Committee held on 27 July 2016

Performance and Risk Report August and September 2016

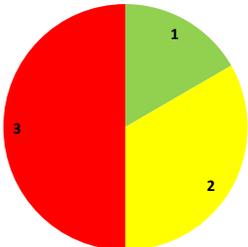
Key to Performance Status:



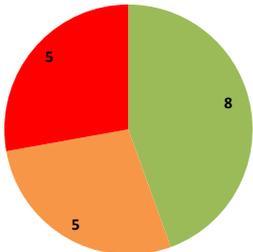
Attractive and Safe PIs (11)



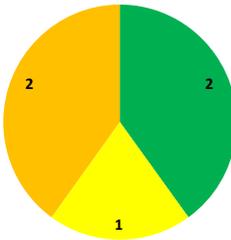
Promoting Healthy Lifestyle PIs (11)



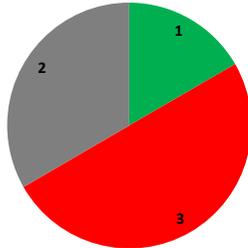
Prosperous Torbay PIs (6)



Protecting all children and giving them the best start in life PIs (18)



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

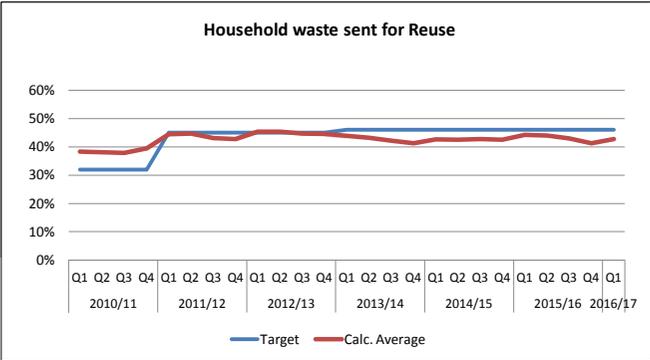
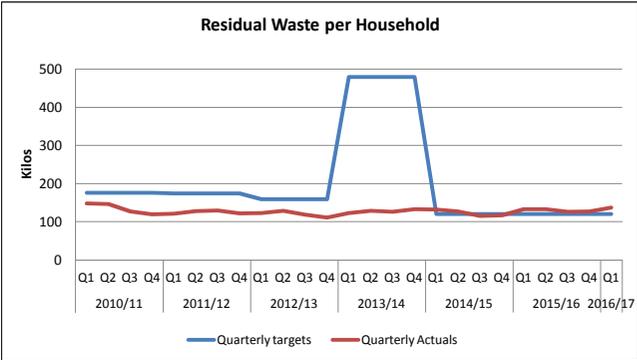
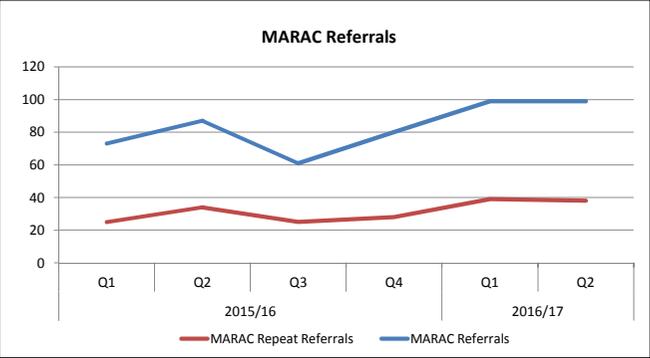
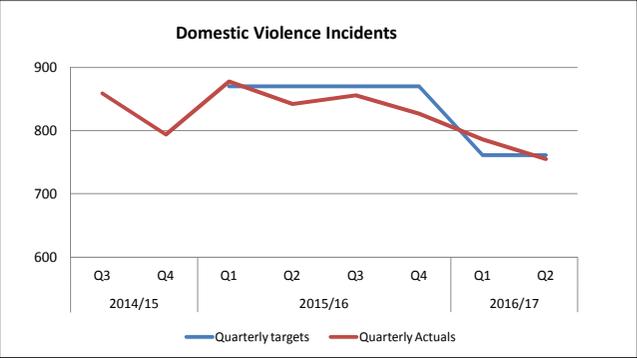
Attractive and Safe: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Quarter 2 2016/17	Last period value
ASPI00 a	Numbers on the housing waiting list by Band A.	It's better to be low	Well Above Target	Band A 2	Band A 2	-		Band A 2	Band A 6	Band A 6
ASPI00 b	Numbers on the housing waiting list by Band B.	It's better to be low	Well Above Target	Band B 330	Band B 300	-		Band B 356	Band B 350	Band B 350
ASPI01	Average number sleeping rough	It's better to be low	Above Target	24	20	-	24	23	22	22

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Quarter 2 2016/17	Cumulative to date
ASPI02	Numbers in Temporary accommodation	It's better to be low	Well Below Target	497	420	-	-	141	137	278
ASPI03	How long people stay in temporary accommodation	It's better to be low		33	30	-	-			New indicator - awaiting data
ASPI04	Total number of placements of 16-17 year olds in emergency temporary accommodation	It's better to be low	Well Above Target	45	41			12	15	27
ASPI05	Domestic violence incidents	It's better to be low	On Target	3,043	3,043	856	827	786	755	1,541
ASPI06	MARAC Referrals	It's better to be low	Well Above Target	301	301	61	80	99	99	198
ASPI07	MARAC Repeat Referrals	It's better to be low	Well Above Target	112	112	25	28	39	38	77

Code	Title	Polarity	Status	Prev Year End	England Value	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Quarter 2 2016/17	Last period value
NI191	Residual household waste per household	It's better to be low	Well Above Target	129kg	120kg	126kg	127kg	137g	Not due	137g
NI192	Percentage of household waste sent for reuse, recycling and composting (LAA)	It's better to be high	Below Target	42.61%	47.00%	43.01%	42.61%	42.78%	Not due	42.78%

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	Increased demand on housing services	High (20)	19/10/16	5 - Almost certain	4 - Major	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	Failure to meet statutory thresholds	Medium to high (12)	19/10/16	3 - Possible	4 - Major	Fran Hughes	Maintain sufficient resilience within teams providing statutory services to meet thresholds		Accepted												
ASPR03	Increasing cost of highways improvements and maintenance	Medium to high (12)	19/10/16	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.	There has not been any recent significant t change.	Accepted												
ASPR04	Cliff and Sea defence failures through storm/ lack of maintenance	Medium to high (12)	19/10/16	3 - Possible	4 - Major	Fran Hughes	Continue maintenance and apply for capital funding from council and grant aid funding from Environment Agency. Part of Oddicombe 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 to for £1.2million of grant in aid funding. Detailed design works are underway and the scheme should commence on site in late October 2016. Following a rock fall at Meadfoot sea road a new rock catcher fence is required to mitigate the risk of rocks falling onto the highway.	<ul style="list-style-type: none"> As no funding has been made available to stabilise the rock fall at Goodrington, the area is being monitored. Design works are being carried out on the Freshwater Quarry stabilisation scheme and contractors will be invited to submit their bids for the work in November. Works are programmed to commence on site in January 2017 with all works being completed by April. The Hollicombe Cliffs rock armour scheme is currently out to tender and works should commence on site later this year. All works will be completed by May 2017. Quotes have been received for the rock catcher fence at Meadfoot and an order has been placed for these works. All works will be completed early in 2017. 	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	Increasing cost of waste disposal.	Medium to high (12)	19/10/16	3 - Possible	4 - Major	Fran Hughes	Contract review being undertaken		Accepted												
ASPR06	Reduction of Police funding and possible cost shunt to the council	High (20)	19/10/16	4 - Likely	5 - Critical	Fran Hughes	Ensure that a robust Community Safety Partnership remains in place to identify and address escalating issues.		Accepted												
ASPR07	Increase in crime	Medium to high (12)	19/10/16	4 - Likely	3 - Moderate	Fran Hughes	Reduction in resources across all agencies could have an impact on crime levels.	<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>2,612</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	2,612		Accepted
Yr13/14	Yr14/15	Yr15/16	Q1 16/17	Q2 16/17	Q3 16/17																
9,812	8,988	8,586	2,425	2,612																	
ASPR08	Unsustainable funding for Domestic Abuse Services	High (20)	19/10/16	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
PHOF2.06 HI	Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)	It's better to be low	Well Above Target	25.3%	21.9%	2014/15	24.1%
PHOF2.15i HI	Successful completion of drug treatment – opiate users	It's better to be high	Below Target	8.4%	7.8%	2014	7.4%
PHOF2.18 MHI	Admission episodes for alcohol-related conditions –narrow definition (Male) per 100,000	It's better to be low	Well Above Target	1,002	827	2014/15	965
PHOF2.18 FHI	Admission episodes for alcohol-related conditions –narrow definition (Female) per 100,000	It's better to be low	Well Above Target	642	474	2014/15	600
PHOF2.22 vHI	Cumulative % of the eligible population aged 40-74 received an NHS Health Check	It's better to be high	Below Target	n/a	27.4%	2013/14 - 2015/16	25.7%
PHOF2.13i HI	Smoking Prevalence	It's better to be low	On Target	19.9%	16.9%	2015	17.0%
PHOF2.13i HI	Percentage of physically and inactive adults - active adults	It's better to be high	Below Target	52.4%	57.0%	2015	53.6%
PHOF2.13i IHI	Percentage of physically and inactive adults - inactive adults	It's better to be low	On Target	34.2%	28.7%	2015	29.9%
PHOF2.12 HI	Excess weight in adults - Percentage of adults classified as overweight or obese	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	The gap between life expectancy at birth in Torbay and life expectancy at birth for England: Male	It's better to be high	Below Target	-0.3	0.0	2012-2014	-0.5
PHOF0.2iv FOI	The gap between life expectancy at birth in Torbay and life expectancy at birth for England: Female	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	Pandemic - i.e. Flu/Ebola	Medium to high (12)	14/10/16	3- Possible	4 - Major	Caroline Dimond	Emergency plans	On-going risk. Exercise planned for October	Accepted
PHLR02	Reduction in the public health grant	Medium to high (12)	14/10/16	4 -Likely	3 - Moderate	Caroline Dimond	Forecast budget planning taking into account potential impact of reduction. Awaiting actual cut, Planning mitigating actions.	Risks identified	Accepted
PHLR03	Reduction in funding for sport and leisure services	Medium (8)	19/10/16	4 -Likely	2 - Minor	Fran Hughes	The authority needs to identify and attract alternative sources of funding for sports and leisure services.		Accepted

Prosperous Torbay

Prosperous Torbay: Performance Indicators

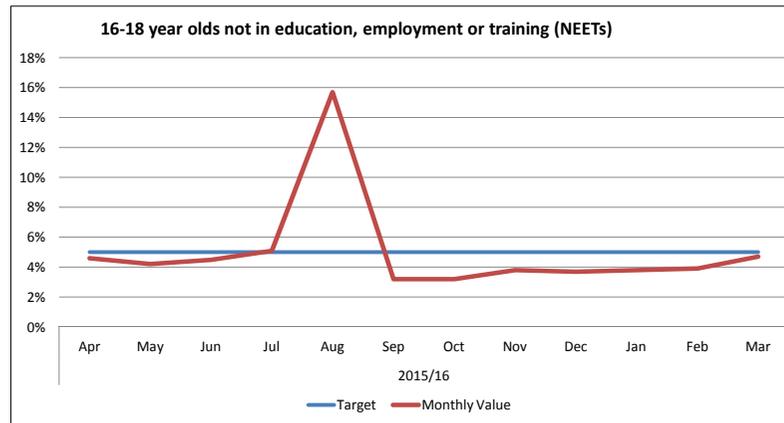
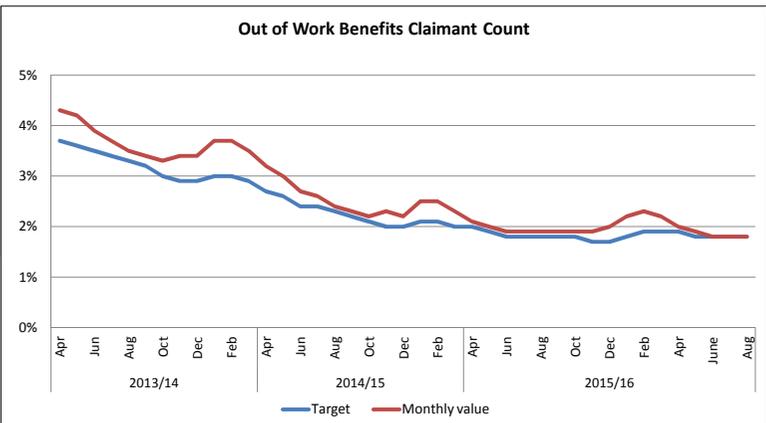
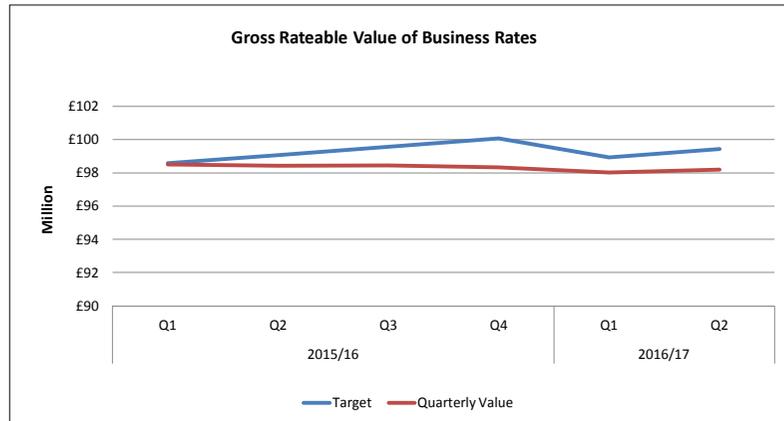
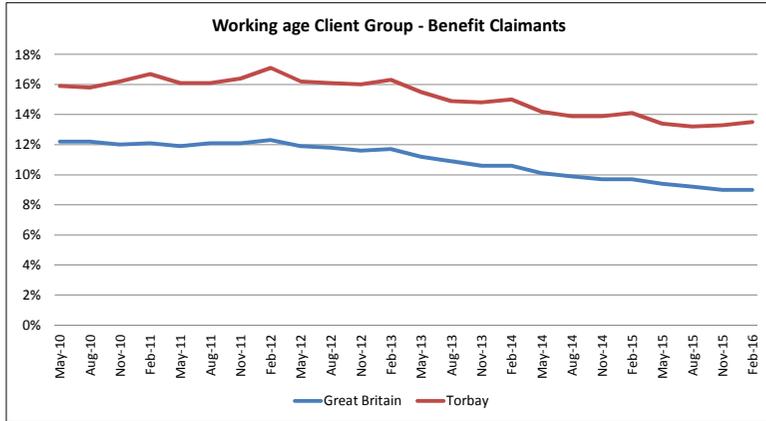
Code	Title	Polarity	Status	Prev Year End	Great Britain / Quarter Target	May-15	Aug-15	Nov-15	Feb-16	Last period value
PTPI01	Working age Client Group - Main benefit claimants	It's better to be low	Well Above Target	13.9%	9.0%	13.4%	13.2%	13.3%	13.5%	13.5% (10,410)

Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Quarter 2 2016/17	Last period value
PTPI02	Gross rateable value of Business Rates (NDR)	It's better to be high	On Target	£98,334,749	£99,426,668	£98,439,809	£98,334,749	£98,027,554	£98,187,919	£98,187,919

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

Code	Title	Polarity	Status	Prev Year End	Great Britain Value											Last period value
PTPI05	Earnings by Residence (weekly full time)	It's better to be high	Well Below Target	£433.20	£529.60	2015										£421.60
PTPI06	Earnings by Workplace (weekly full time)	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?
PTRO2	Local Plan not delivered	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		
PTRO3	Failure to meet national planning performance targets	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		
PTRO4	Five year housing land supply	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?
PTRO5	Further reductions made under welfare reforms	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 The council and DWP have jointly arranged a series of forums to take place during September and October across the bay to discuss the impact and mitigating actions that can be taken.</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"> • Support those most affected by welfare reform into jobs • Inform and prepare residents for welfare reform changes • Inform and prepare staff for welfare reform changes • Engage, involve and prepare elected members • Internal council activity - Identify wider financial risks where demand for services may increase, e.g. Homeless, Customer Services and Children's Services etc. <p>The benefit cap changes will start to be implemented from 7 November 2016 in Torbay. The DWP estimate that around 270 households could be affected, which includes forty households that are already capped. For those households the lower cap level will be applied on 7 November 2016, when the legislation comes into force. For new cases the cap will be applied over several weeks.</p> <p>Consultation for the proposed changes to the Council Tax Support scheme, from April 2017:</p> <p>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	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Last period value
1	Number of Early help referrals received in month	In line with our service expectations	In line	122	100 per month (1200)	143	99	108	97	94	114	130	112	134	136	105	Not due	105
4	Number of Social Care Contacts & Referrals	Its better to be low	Below expected levels	168	135 per month or 1,620 per year	182	199	142	137	95	160	137	158	157	161	105	Not due	105

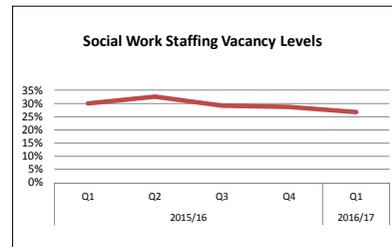
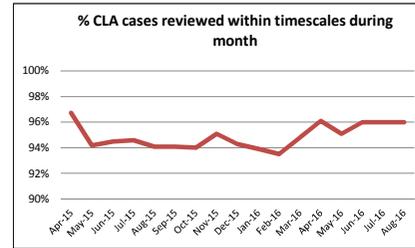
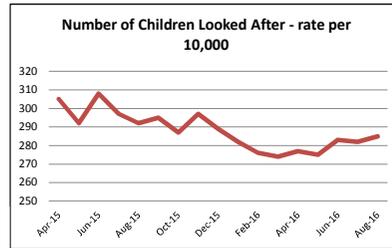
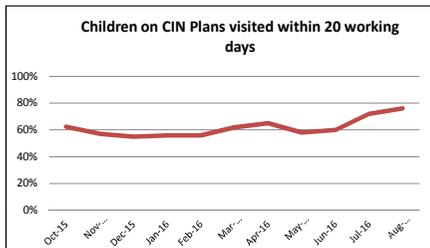
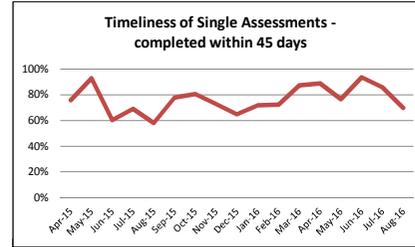
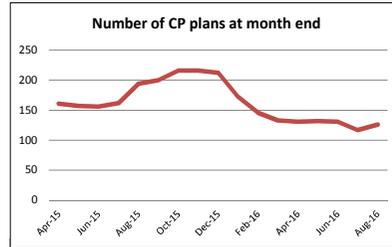
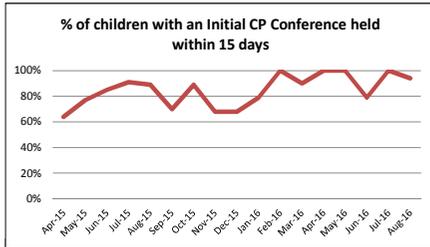
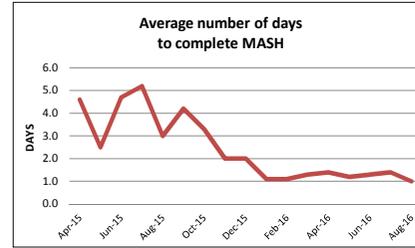
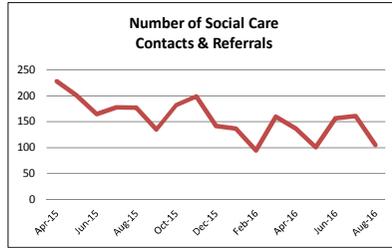
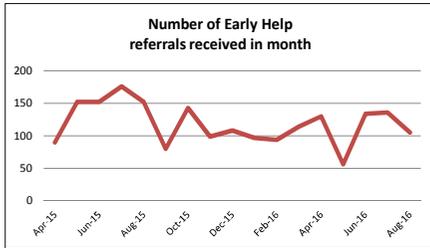
Code	Title	Polarity	Status	Average monthly for 15/16 year	Anticipated performance level	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Last period value
5	Average number of days to complete MASH	Its better to be low	In line	3.04 (working days)	1.0	3.3	2.0	2.0	1.1	1.1	1.3	1.4	1.2	1.3	1.4	1.0	Not due	1.0
11	% of children with an Initial Child Protection Conference held within 15 days from strategy meetings	Its better to be high	In line	79%	100.0%	89%	68%	68%	79%	100%	90%	100%	100%	79%	100%	94%	Not due	94%
12	Number of CP plans at month end by Category	In line with benchmarks	In line	133	140	216	216	212	172	146	133	131	137	131	117	126	Not due	126
	Timeliness of Single Assessments - completed within 45 days	Its better to be high	Below expected levels	75%	82%	80.6%	72.9%	64.8%	71.9%	72.4%	87.5%	88.9%	76.7%	93.6%	86.0%	69.8%	Not due	69.8%
16	% CLA cases reviewed within timescales during the month	Its better to be high	Below expected levels	96%	100.0%	100.0%	100.0%	94.7%	93.9%	93.5%	94.8%	96.1%	95.1%	96.0%	96.0%	96.0%	Not due	96.0%

Code	Title	Polarity	Status	As at 2015/16 year end	Anticipated performance level	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Last period value
12	Children on CIN plans visited within 20 working days	Its better to be high	Well above expected levels	53%	80%	62%	57%	55%	56%	56%	62%	65%	58%	60%	72%	76%	Not due	76.0%
18	Number of Children Looked After	In line with benchmarks	Well above expected levels	274	250	287	297	289	282	276	274	277	275	283	282	285	Not due	285

Code	Title	Polarity	Status	As at 2015/16 year end	Quarter Target	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Quarter 2 2016/17	Last period value
17	Social Work Staffing levels – numbers, vacancies	Its better to be low	Below expected levels	28.7%	18%	29.1%	28.7%	26.7%	Not due	26.7%
Code	Title	Polarity	Status	Prev Year End	England Value					Last period value
19	Adoption Timeliness - Average time from entering care to moving in with adoptive family	Its better to be low	Below expected levels	530	426	2015/16				360
PCPI09	KS4 % achieving 5+ A*-C GCSEs (or equivalent) including English and maths GCSEs	It's better to be high	In line	56.6%	53.8%	2015				57.3%
PCPI10	KS2 % achieving level 4 or above in reading, writing and maths	It's better to be high	In line	77.0%	80.0%	2015				80.0%
PHOF1.02i W	School Readiness: All children achieving a good level of development at the end of reception.	It's better to be high	In line	61.30%	66.3%	2014/15				64.4%
PHOF2.02i iHI	Breastfeeding Prevalence at 6-8 weeks after birth	It's better to be high	Well below expected levels	n/a	43.8%	2014/15				35.7%
PHOF2.03 HI	Smoking status at the time of delivery	It's better to be low	Well above expected levels	16.8%	11.4%	2014/15				16.1%
PHOF2.09i iHI	Smoking prevalence at age 15 - regular smokers (WAY survey)	It's better to be low	Well above expected levels	n/a	5.5%	2014/15				10.4%
PHOF3.03 xHP	Population vaccination coverage - MMR for two doses (5 years old)	It's better to be high	In line	88.9%	88.6%	2014/15				89.9%

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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	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
PCR01	Increased demand for services (Troubled Families/Early Help Strategy)	Medium to high (12)	23/08/16	3 - Possible	4 - Major	Andy Dempsey	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.	Discussions have been ongoing with Hampshire colleagues around the revised model which will bring the troubled families programme more directly within the scope of early helps arrangements. This work will progress during October.	Accepted
PCR02	Delivery of 5 year plan - Stemming The Flow (Including PIP)	High (16)	23/08/16	4 - Likely	4 - Major	Andy Dempsey	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.	At the end of Q2 the budget pressure remains around £1.4m this is despite in year staffing and agency savings having been made and is due to the lack of progress with placement changes incorporated within year 1 of the previous financial plan. Work is on-going to address the in year pressures through the formation of a placements and contracting team which will focus on progressing the planned moves and addressing high cost placements. The review of the CLA population has been completed and is identifying around 49 planned exits for 2017/18. The exercise has highlighted that further work is needed to improve permanence planning. At this stage the projections are for the CLA population to be more or less stable for 2017/18 until a more proactive approach towards permanence is embedded during the final half of 2016/17. Peopletoo have been commissioned by the LGA to work with Children's Services around financial planning and service improvement. The work has identified a range of savings for the years 2017-2020 which are currently being evaluated and will be included within the department's financial plan going forward.	Reduced
PCR03	Delivery of TPST and Integrated Care Organisation	High (16)	23/08/16	4 - Likely	4 - Major	Andy Dempsey	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.	The Mutual Ventures project commenced in September and is progressing in line with expectations. The aim remains to have the base case arguments for the ICO completed by the end of December but in a manner that will also provide much of the pre-work for other alternative delivery models should the ICO not prove to be the optimal solution.	Accepted
PCR04	Safeguarding Improvement Programme	Medium to high (12)	23/08/16	3 - Possible	4 - Major	Andy Dempsey	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.	Both Ofsted and the DfE appointed Commissioner have now reported on progress. Both concluded that Torbay is making expected progress but that much work remains to be done. A revised improvement plan has been developed with input from Hampshire to provide a greater degree of focus on the completion of improvement tasks underpinned by a revised performance management framework to detect impact.	Reduced
PCR05	Removal of the Education Service Grant	High (16)	23/08/16	4 - Likely	4 - Major	Andy Dempsey	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.	The residual ESG funding for the local authority has been confirmed as £15 per head which has been determined as being broadly efficient to meet the local authority's residual duties. However, work is ongoing to determine how the residual funding that did not come to Children's Services has been used historically in order to mitigate the impact of the funding reductions from 2017 onwards.	Accepted

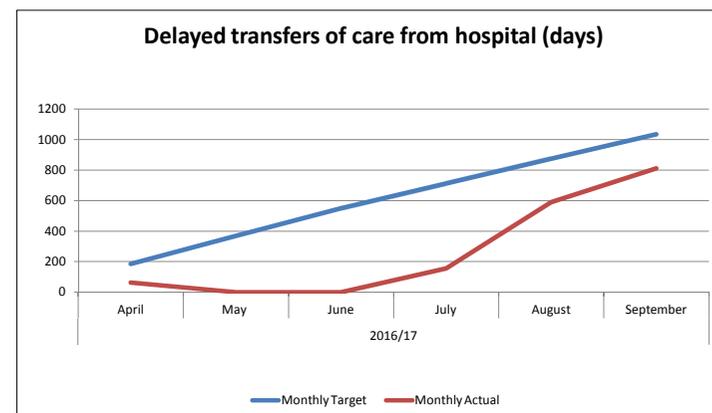
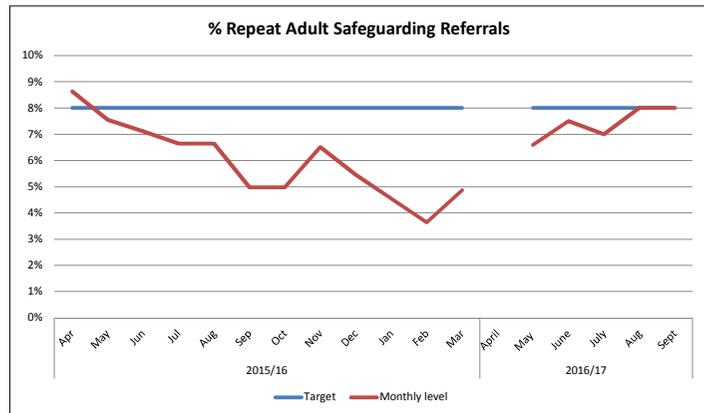
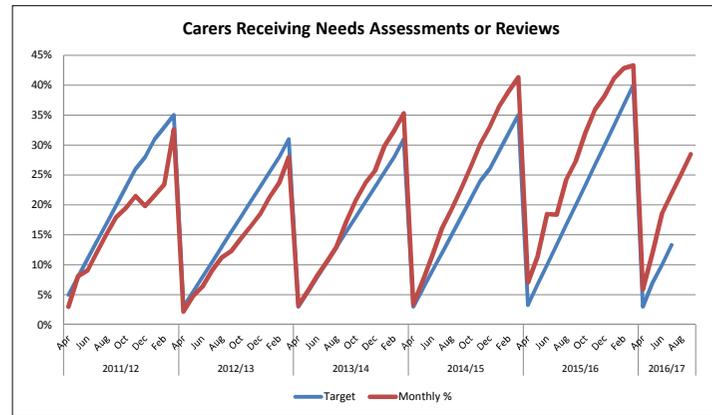
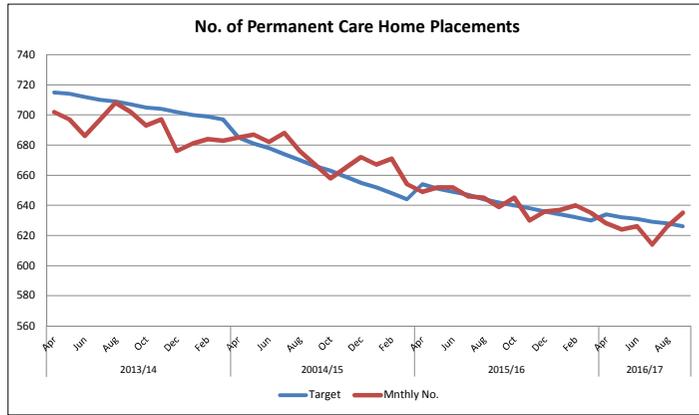
Protecting Vulnerable Adults

Protecting Vulnerable Adults: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Last period value
LI404	No. of permanent care home placements	It's better to be low	On Target	635	626	645	630	636	637	640	635	628	624	626	614	626	635	635
NI135	Carers receiving needs assessment or review & a specific carer's service, or advice & infor (LAA)	It's better to be high	Well Above Target	43.28%	20.00%	32.09%	35.94%	38.22%	41.17%	42.79%	43.28%	5.90%	11.90%	18.60%	21.91%	25.16%	28.47%	28.47%
TCT14b	Safeguarding Adults - % repeat SG referrals in last 12 months	It's better to be low	On Target	4.87%	8.00%	4.98%	6.51%	5.45%	4.55%	3.64%	4.87%	~	6.64%	7.52%	7.00%	8.00%	8.00%	8.00%
BCF-004a	Delayed transfers of care from hospital (days)	It's better to be low	Well Above Target	n/a	1036	~	~	~	~	~	~	63	0	0	155	590	811	811
Code	Title	Polarity	Status	Prev Year End	Target													Last period value
PVAP10	Re-ablement Services (Effectiveness)	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	Increased demand for services	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	Financial strain relating to the implementation of the Care Act	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	Insufficient and unsustainable care home market in Torbay	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	Integrated Care Organisation: Delivery of new model of care at pace and scale	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 Cllr 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	Failure to deliver ICO within budget	High (12)	19/08/16	4 - Likely	4 - Major	Caroline Taylor			

Running an Efficient Council

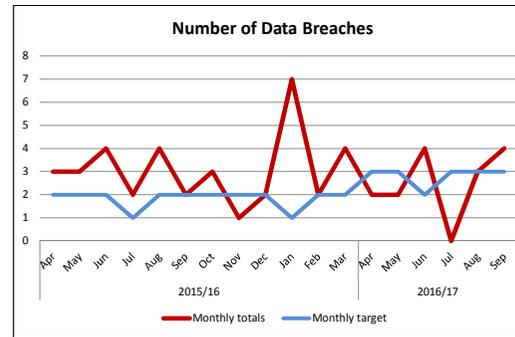
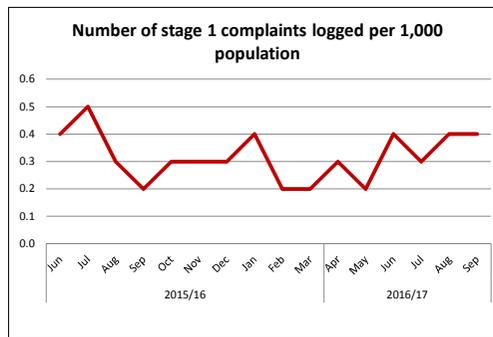
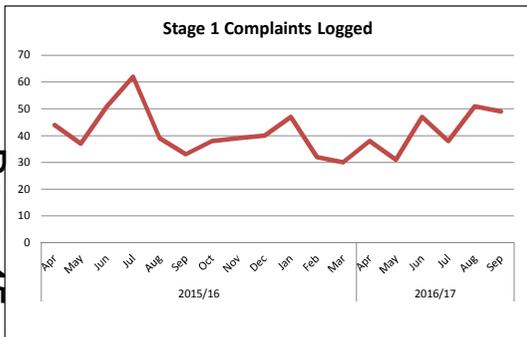
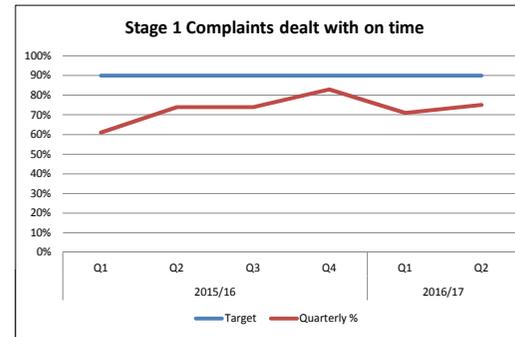
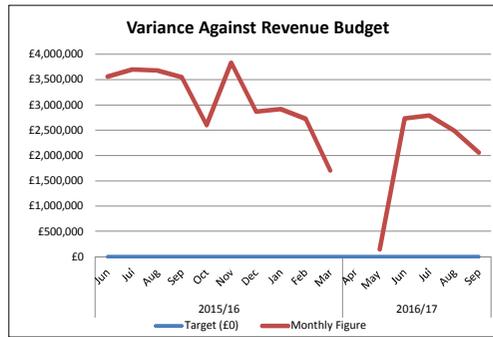
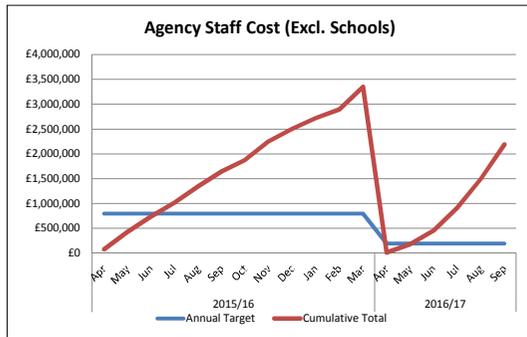
Running an Efficient Council: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Annual Target	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Cumulative to date
RECPI01	Agency Staff Cost (excluding schools)	It's better to be low	Well Above Target	n/a	£196,000	£234,599	£376,023	£255,466	£210,000	£176,815	£451,136	£10,394	£171,704	£272,342	£456,050	£583,179	£694,054	£110,875 Adults £0 Children's £646,938 Public Health £385 Corp & Business Services £23,295 Community & Cust Services £4,568
RECPI02	Variance Against Revenue Budget	It's better to be low	Well Above Target	£1,701,000	£0	£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	£2,493,000	£2,062,000	£2,062,000

Code	Title	Polarity	Status	Prev Year End	Annual Target	Quarter 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Quarter 2 2016/17	Last period value
RECPI05	Stage 1 complaints dealt with on time	It's better to be high	Well Below Target	83%	90%	74%	83%	71%	75%	75%

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Cumulative to Date
RECPI06	Number of stage 1 complaints logged	N/A	(monito-ring only)	492	n/a	38	39	40	47	32	30	38	31	47	38	51	49	254
RECPI08	Number of stage 1 complaints logged per 1,000 population	N/A	(monito-ring only)	3.7	n/a	0.3	0.3	0.3	0.4	0.2	0.2	0.3	0.2	0.4	0.3	0.4	0.4	1.9
RECPI07	Number of Data breaches	It's better to be low	Above Target	37	17	21	22	24	31	33	37	2	2	4	0	3	4	15

Running an Efficient Council: Performance of Monthly and Quarterly PIs



Code	Title	Score	Last Review Date	Probability Score	Impact Score	Risk Owner	Mitigation	Progress	Is Risk Reduced, Accepted or eliminated?
RECR01	Failure of Transformation board to deliver on Transformation Projects to support future years budgets	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	Lack of effective workforce planning - retention of key/relevant skills across the organisation	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	Lack of robust and safe decision making	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	Insufficient infrastructure and support across the Council including IT infrastructure	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	Budget overspend within arms length organisations and contracted services	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	The Council not achieving a balanced budget in year	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	Cost shunting to the local authority as partners reduce resources.	Medium (9)	15/02/16	3 - Possible	3 - Moderate	Anne-Marie Bond	Maintaining a robust Community Safety Partnership.		
RECR09	Failure to deliver the Council's Asset Management Plan	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	Risk of inadequate maintenance and repairs of our Council assets due to reducing budgets.	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	Lack of appropriate and effective business continuity plans in the event of a large scale emergency.	Medium to high (15)	19/10/16	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 3 2015/16	Quarter 4 2015/16	Quarter 1 2016/17	Quarter 2 2016/17	Last period value
CU-06	Number of inward investment enquiries received	It's better to be high	Well Below Target	50	10	29	40	5		5
EDCPI-001	0% variance from budget	It's better to be low	Above Target	0.00	0.00	0.00	-2.50%	-4.00%	-4.00%	-4.00%

Code	Title	Polarity	Status	Prev Year End	Annual Target					Last period value
BUSR018	Total jobs created	It's better to be high	Well Above Target	172	150	2015/16				170
EDCP005	Income from Torbay Council let estate	It's better to be high	On Target	£2,708,014	£2,700,000	2015/16				£2,693,227
FE7	% Overall customer satisfaction	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	Business growth opportunities and diversification	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.		

The Annual Audit Letter for Torbay Council

Year ended 31 March 2016

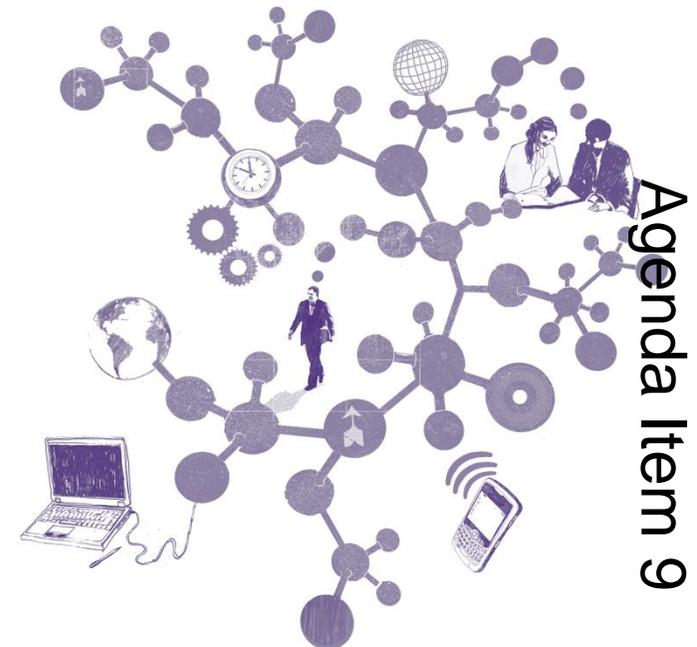
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Agenda Item 9

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Torbay Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 27 July 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 28 July 2016.

This is a credit to the Finance team as the timetable was a week earlier than in 2014/15 enabling an early audit start date of 6 June 2016 with reporting to the Audit Committee at the end of July.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016 except for the matters reported in the Ofsted report on the Council's Childrens Services issued in January 2016. We concluded that these matters were 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.

We therefore qualified our value for money conclusion in our audit opinion on 28 July 2016.

Certificate

We certified that we had completed the audit of the accounts of Torbay Council in accordance with the requirements of the Code on 28 July 2016.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

Other work completed

We provided your teams with training on financial accounts and annual reporting. We also held a seminar on accounting for the Better Care Fund and Pooled Budgets, a new area in 2015/16.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit –delivery of the accounts audit two months before the deadline
- VFM - we provided you with assurance and feedback on your arrangements for delivering efficiency, effectiveness and economy.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our sector insight via our National Reports.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £5,524,000, which is 1.95% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration.

We set a lower threshold of £276,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the Narrative Report and Annual Governance Statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>Valuation of property plant and equipment</p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 54</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed with the Council's valuer the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. <p>We did not identify any issues to report</p>
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Documented the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walked through the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>We did not identify any issues to report</p>

Audit of the accounts (Continued)

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>One-off/unusual transactions</p> <p>New PFI scheme - The Council is in partnership with Devon County Council and Plymouth City Council in an Energy from Waste (EfW) PFI scheme.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Gained an understanding of the transaction including a review of supporting documentation • Carried out a detailed assessment of whether the proposed accounting treatment for the scheme was in accordance with the accounting standards and was based on reasonable judgements by management, supported by the contract documentation • Reviewed whether the PFI operator's financial model was producing reliable figures by entering the figures into the model used by Grant Thornton and comparing the results. • Carried out testing of the transactions in the financial statements to ensure they were consistent with our understanding • Reviewed the accounting entries to ensure they complied with the requirements of the CIPFA Code of Practice <p>Our audit work concluded that:</p> <ul style="list-style-type: none"> ➤ the accounting treatment for the scheme was reasonable ➤ the figures produced by the PFI operator's financial model were materially accurate ➤ The transactions in the financial statements were consistent with the financial model and our understanding, and ➤ The accounting entries were compliant with the Code.

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 28 July 2016, well in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

The key messages arising from our audit of the Council's financial statements were:

- the draft accounts were again produced to a good standard
- the audit was facilitated by good supporting working papers and excellent assistance from the finance team.

As with last year's audit we also had a number of helpful early discussions with the Finance team around key technical issues. This enabled the early resolution of issues that would have been difficult to resolve promptly once the audit was in progress.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 27 July 2016.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in advance of the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in July 2016, we agreed recommendations to address our findings.

1. The Council must formally agree a clear action plan to address the issues in the Ofsted report on Childrens Services. The action plan should be subject to appropriate oversight and scrutiny through the Council's corporate governance arrangements
2. The Council must develop realistic savings plans to bridge the budget gap in 2017/18 to 2019/20.
3. The Council must ensure that it allocates sufficient resources to enable the target dates in the CPC action plan for the Strategic Partnership Forum, and the development of the high level plan and communication and engagement strategy, to be achieved.
4. The Council must allocate a specific timeline for re-establishing clear governance practice and procedures.

Overall VfM conclusion

We are satisfied that, in all significant respects, except for the matter we identified below, the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

We concluded that the matters reported in the Ofsted report on the Council's Childrens Services issued in January 2016 were 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.

The Council's Policy Development and Decision Group (Joint Commissioning Team) received an update on the Children Services Improvement Plan on 18 October 2016, which included a comprehensive action plan to address the Ofsted recommendations.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in 2015/16 which rated these as 'inadequate'. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.</p>	<p>We reviewed the action being taken by the Council in response to the issues in the Ofsted report.</p>	<p>The Council is undertaking a lot of work in this area but a formal action plan to address the issues from the Ofsted report has yet to be approved by Members. A detailed report on the Delivery of the Childrens Services Five Year plan is due to go to Council on 21 July 2016.</p> <p>The Council needs to formally agree a clear action plan to address the issues in the Ofsted report.</p> <p>We concluded that there were 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.</p> <p><i>The Council's Policy Development and Decision Group (Joint Commissioning Team) received an update on the Children Services Improvement Plan on 18 October 2016, which included a comprehensive action plan to address the Ofsted recommendations.</i></p>
<p>Medium term financial planning The Council's Medium Term Resource Plan (MTRP) shows that the Council needs to identify further savings in the region of £20m over the next four years. This is after finding £10m of savings in the 2016/17 budget.</p>	<p>We reviewed the Council's latest MTRP and the 2016/17 budget, considering the assumptions that underpin the figures within them.</p>	<p>The Council has got robust financial planning processes in place. A four year Medium Term Resource Plan (MTRP) is in place covering 2016/17 to 2019/20. This is regularly reviewed and updated. The MTRP reflects the impact of the reductions in government grant and estimates that the Council will have a budget gap of £18.5m by 2019/20. A three year budget to address this gap is being developed.</p> <p>On that basis we concluded that while the level of savings needed represents a significant challenge for the Council, the risk was sufficiently mitigated and the Council has proper arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p> <p><i>The Efficiency Plan approved on 22 September 2016 identifies that the budget gap to 2019/20 is now £21.5m.</i></p>

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Value for Money (Continued)

Table 2: Value for money risks (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Partnerships The Corporate Peer Challenge (CPC) by the Local Government Association (LGA) in late 2015 noted that there are a range of progressive and inspiring partnerships, but also that many partners were disillusioned by the lack of common purpose and felt constrained. The Council is working with partners from different organisations and service areas with potentially conflicting priorities.</p>	<p>We reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its partnerships. We will also review actions being taken by the Council in response to the CPC report.</p>	<p>The Council does not have a central register of its partnerships. The Council has actions in place to set up a Strategic Partnership Forum but this seems to be behind its original timescale of meeting before the end of June 2016. The timescale for developing its High Level Plan and a communication and engagement strategy by the end of August 2016, for a report to Council in September 2016, will be challenging if further progress is not made.</p> <p>The Council's work on this area is in progress and we do not consider that this is an issue that impacts on our VFM conclusion but the Council must ensure that it allocates sufficient resources to enable the target dates in the CPC action plan to be achieved.</p>
<p>Informed decision making The CPC report raised issues around the Council's decision making and recommended that more effective working practices are implemented in respect of transparency and political decision making.</p>	<p>We reviewed the Council's response to the CPC report and considered any actions being planned.</p>	<p>The Council have detailed a number of actions which have been linked to the development of the training programme. However, the detailed actions for recommendation 14 refers to re-establishing clear governance practice and procedures with roles and responsibilities mapped out. While linked to the development of the training programme this is a separate piece of work that needs to be urgently addressed and it should be given a specific timeline for completion.</p> <p>There have also been recent instances of motions being brought directly to Council without supporting reports, which could leave the Council open to challenge on the transparency of its decision making process, which emphasises the importance of this review.</p> <p>The Council's work on this area is in progress and we do not consider that this is an issue that impacts on our VFM conclusion but the Council must allocate a specific timeline for re-establishing clear governance practice and procedures.</p>

Working with the Council

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit two months before the statutory deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish on schedule releasing your finance team for other important work.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need for the Council to formally agree a clear action plan to address the issues in the Ofsted report on Childrens Services, which led to the qualification to our VFM conclusion, and the need to develop realistic savings plans to bridge the budget gap in 2017/18 to 2019/20.

We provided regular audit committee updates covering emerging issues and developments of relevance to the Council, including those from the National Audit Office (NAO) and CIPFA.

Thought leadership - we have shared our insights via our national publications. Areas we covered included:

- Innovation in public financial management
- Knowing the Ropes – Cross sector Audit Committee Effectiveness Review
- Making devolution work – A practical guide for local leaders
- Reforging local government – our summary findings from financial health checks and governance reviews
- Advancing closure – sharing the lessons learned from local government bodies who have advanced their financial reporting processes and closed their accounts early. We are holding a workshop on this topic in October where your Chief Finance Officer will be presenting jointly with your external audit manager on how we have worked together to achieve early closure of the Council's accounts.

We have also shared with you our publication on Building a successful joint venture and will continue to support you as you consider greater use of alternative delivery models for your services. Your Chief Finance Officer will be attending our income generation workshop in October.

Providing training – we provided your teams with training on financial accounts and annual reporting. The joint training with CIPFA was attended by your Chief Finance Officer and Principal Accountant. We also held a seminar on accounting for the Better Care Fund and Pooled Budgets, which was attended by Torbay finance staff.

Working with the Council

Working with you in 2016/17

Highways Network Asset

The Code of Practice on Local Authority Accounting (the Code) requires authorities to account for Highways Network Asset (HNA) at depreciated replacement cost (DRC) from 1 April 2016. The Code sets out the key principles but also requires compliance with the requirements of the recently published Code of Practice on the Highways Network Asset (the HNA Code), which defines the assets or components that will comprise the HNA. This includes roads, footways, structures such as bridges, street lighting, street furniture and associated land. These assets should always have been recognised within Infrastructure Assets.

The Code includes transitional arrangements for the change in asset classification and the basis of measurement from depreciated historic cost (DHC) to DRC under which these assets will be separated from other infrastructure assets, which will continue to be measured at DHC.

This is expected to have a significant impact on the Council's 2016/17 accounts, both in values and levels of disclosure, and may require considerable work to establish the opening inventory and condition of the HNA as at 1 April 2016.

Under the current basis of accounting values will only have been recorded against individual assets or components acquired after the inception of capital accounting for infrastructure assets by local authorities. Authorities may therefore have to develop new accounting records to support the change in classification and valuation of the HNA.

The nature of these changes means that Finance officers will need to work closely with colleagues in the highways department and potentially also to engage other specialists to support this work.

Some of the calculations are likely to be complex and will involve the use of external models, a combination of national and locally generated rates and a number of significant estimates and assumptions.

We have been working with the Council on the accounting, financial reporting and audit assurance implications arising from these changes. We have issued two Client Briefings which we have shared with your Chief Finance Officer. We will issue further briefings during the coming year to update the Council on key developments and emerging issues.

This major accounting development is likely to be a significant risk for our 2016/17 audit. The Council has an implementation plan in place for the Highways Network Asset and has carried out a lot of preparatory work for the changes. We will continue to have early discussions with Council staff on the progress being made in this area.

Working with the Council

We will continue to liaise closely with the senior finance team during 2016/17 on this important accounting development, with timely feedback on any emerging issues.

The audit risks associated with this new development and the work we plan to carry out to address them will be reflected in our 2016/17 audit plan.

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We will also continue to work with you and support you over the next financial year.

Locally our focus will be on:

- An efficient audit – continuing to deliver an efficient audit
- Understanding your operational health – we will focus our value for money conclusion work on your progress in addressing the issues raised in the Ofsted report on Childrens Services and the implementation of the action plan arising from the LGA Corporate Peer Challenge. We will also concentrate on the Council's plans to address the budget gap in 2017/18 to 2019/20. Your Efficiency Plan approved in September 2016 identifies that additional income and savings of £21.5m are required.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of the Council	102,053	107,019*	136,070
Housing Benefit Grant Certification	7,954	7,954**	12,840
Total fees (excluding VAT)	110,007	114,973	148,910

* The final audit fee included an additional fee of £4,966 for the work required in relation to the Energy from Waste PFI scheme. This is subject to approval from Public Sector Audit Appointments Ltd (PSAA).

** This work is on-going and the final fee will be notified in the Certification Letter later this year.

Fees for other services

Service	Fees £
Audit related services:	
• Teachers' Pension	3,800
Non-audit services	Nil

Reports issued

Report	Date issued
Audit Plan	March 2016
Audit Findings Report	July 2016
Annual Audit Letter	October 2016



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Audit Committee update Torbay Council

Year ended 31 March 2016

November 2016

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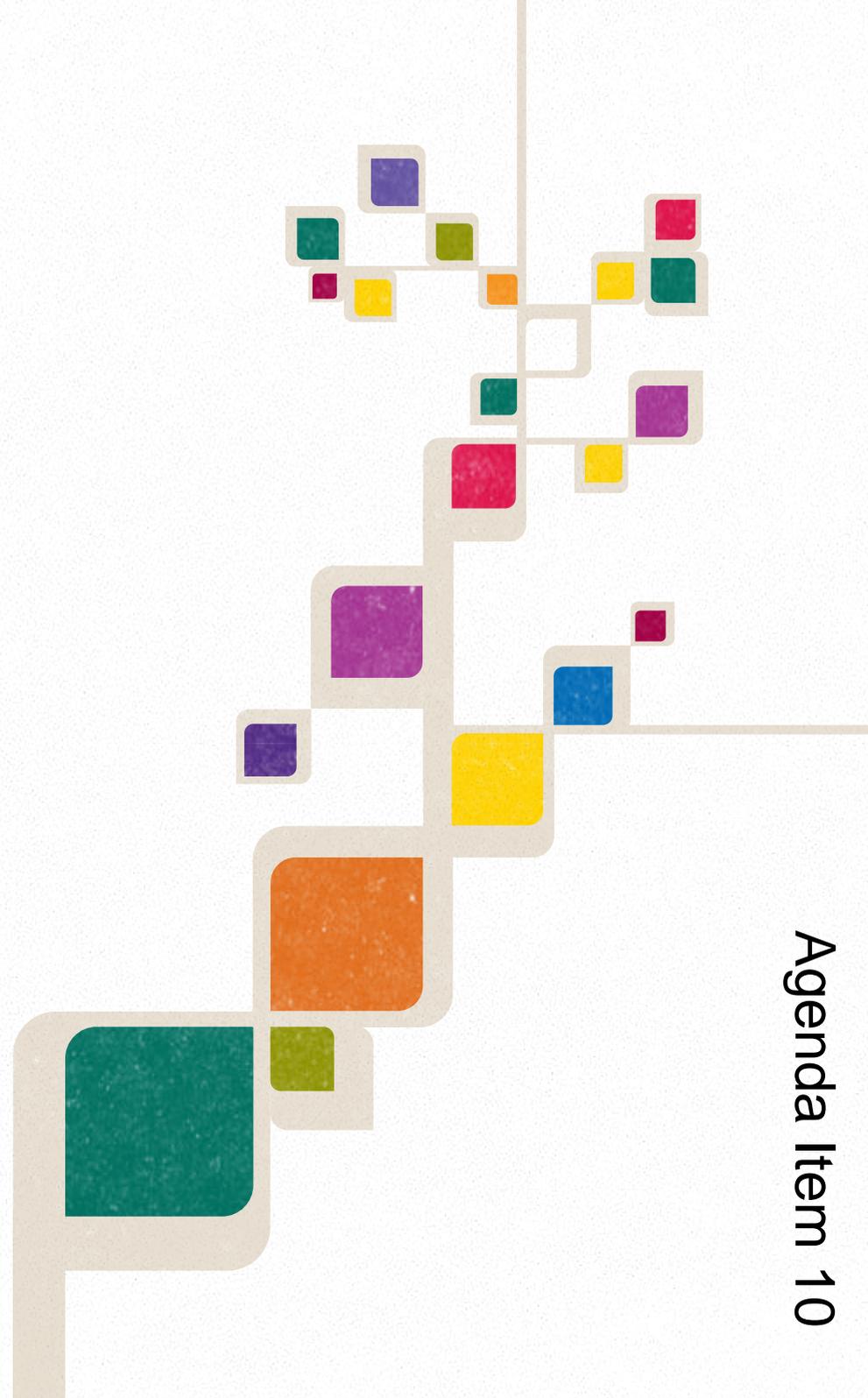
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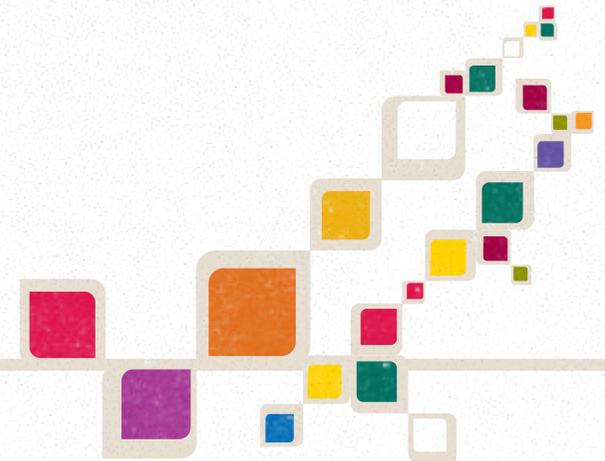
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Agenda Item 10

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, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

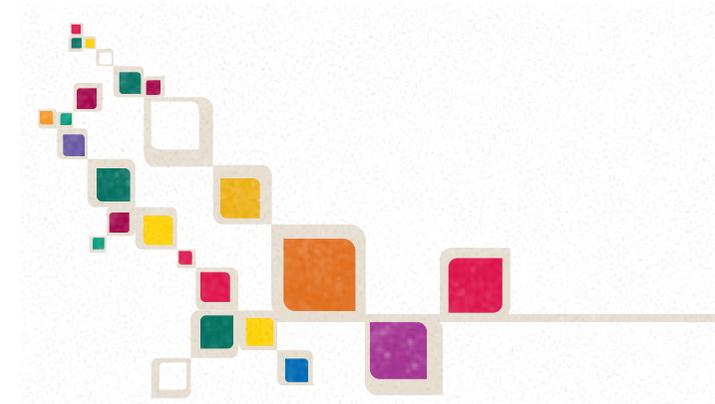
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/
- 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:

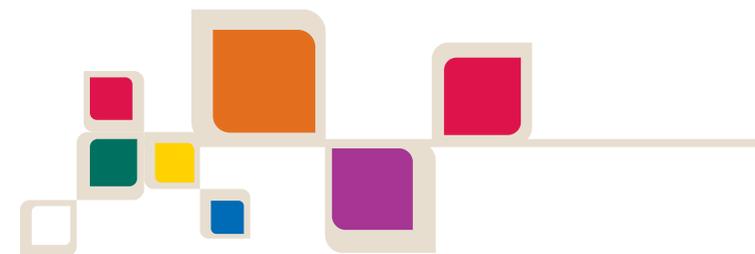
Alternative delivery models: Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government. <http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

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.

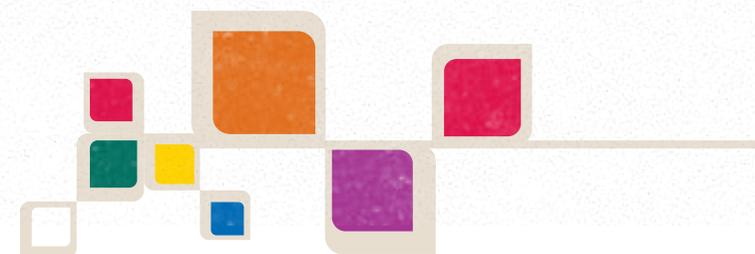


Progress at 9 November 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Fee Letter</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>Accounts Audit Plan</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>Interim accounts audit</p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	Jan – March 2016	Yes	The results of our interim audit were presented to your March meeting.
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • 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 	June – July 2016	Yes	The Audit Findings Report was presented to your July meeting.

Progress at 9 November 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	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>Annual Audit Letter</p> <p>A summary of all work completed as part of the 2015/16 audit.</p>	October 2016	Yes	The Annual Audit Letter is included on the agenda of this meeting.
<p>Other areas of work</p> <ul style="list-style-type: none"> • Housing Benefits Subsidy Claim • Teachers' Pension return 	Sept – Nov 2016	No	<ul style="list-style-type: none"> • Our work on the housing benefits subsidy claim is in progress and will be completed by the 30 November deadline. The results of this work will be reported in the Annual Certification Letter to your meeting in January 2017. • The Teachers Pension return work is in progress and our report will be submitted by the deadline of 30 November 2016.
<p>Other activities</p> <ul style="list-style-type: none"> • 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. • We held an Income Generation workshop in Exeter on 13 October 2016. 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. The workshop was attended by your Head of Finance. • We held a Faster Close and Highways Network Asset (HNA) workshop on 19 October 2016 in Exeter. This workshop was 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, and provided training on the latest developments in accounting for the HNA in 2016/17. The workshop was attended by members of Council's Finance team, and the Head of Finance did a joint presentation with your Audit Manager on how we have worked together to achieve approval of the audited accounts by 31 July in 2015/16. 			

Grant Thornton
Publications and
events

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Future events and workshops

Joint Venture Company Seminar - 6 December

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

Page 71 While these new delivery models are not a solution by themselves, they do add to the wider solutions being explored by local government, such as devolution, collaboration and integration. Joint ventures (JVs) have been in use for many years in local government and remain a common means of delivering services differently.

We researched a range of JVs for our report to provide inspiring ideas – from those that have been a success as well as lessons learnt from those that have encountered challenges. The report also provides advice and information about the key areas to consider when deciding on a JV, setting it up and making it successful.

We have invited some of the practitioners we interviewed in researching our report to our Taunton event. Here they will share with you some of their experiences.



Future events and workshops

Sustainability and Transformation Plans – Early learning – 13 Dec

Individual health and social care economies and their leaders are at the early stages of developing STPs for their area aimed at accelerating the ambitions as set out in the 5YFV.

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These five-year plans will require genuine partnership working across a number of different organisations that historically have had misaligned funding regimes and a lack of a robust shared strategy.

Our event will consider, amongst other things:

- how best to ensure sufficient capacity and leadership is made available to inform the STP
- methods to ensure full consultation, engagement and buy-in by all partners and stakeholders
- that importance of accurate and consistent information to inform decisions.

As with our previous successful summits, this event will take the form of a roundtable discussion, and we will then produce a write-up for sharing more widely.

Grant Thornton events



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