



Monday, 17 September 2018

AUDIT COMMITTEE

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

Tuesday, 25 September 2018

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 King

Councillor O'Dwyer

Councillor Long

Councillor Morey

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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(1)

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 25 July 2018.
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. **Treasury Management Mid-Year Review 2018/19** (Pages 7 - 16)
To consider a report that provides Members with a review of Treasury Management activities during the first part of 2018/19.
6. **Annual Audit Letter** (Pages 17 - 30)
To consider a report that summarises the key findings arising from the work that the Council's External Auditors had carried out for the year ended 31 March 2018.
7. **Audit Progress Report and Sector Update** (Pages 31 - 46)
To note a report the report above.

8. **Corporate Performance Report Q1 2018/19**
To note the submitted report.

(Pages 47 - 55)



Minutes of the Audit Committee

25 July 2018

-: Present :-

Councillor Tyerman (Chairman)

Councillors Bent, O'Dwyer, Long and Morey

146. Apologies

Apologies for absence were received from Councillors Barnby and King.

147. Minutes

The Minutes of the meeting of the Audit Committee held on 22 May 2018 were confirmed as a correct record and signed by the Chairman.

148. Audit Findings - Year ending 31 March 2018

Members considered and noted a report that highlighted the key issues regarding the Council's financial statements for the year ended 31 March 2018. Alex Walling, Associate Director of Grant Thornton informed Members that they completed their examination of the Council's financial statements during May and June, the draft accounts were produced to a good standard and the audit was facilitated by good supporting working papers. The examination did not identify any adjustments affecting the Council's reported financial position and concluded that the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with Grant Thornton's (external auditors) knowledge of the Council and with the financial statements audited. Alex advised that she anticipated issuing an unqualified audit opinion following today's Audit Committee meeting.

Alex further explained that as the Council's external auditors they proposed to give a qualified value for money (VFM) conclusion, on the council's arrangements for securing economy, efficiency and effectiveness in the use of its resources, except for in relation to 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. This is consistent with other council's whose Children Services had also been rated as inadequate by Ofsted.

149. Statement of Accounts and Annual Governance Statement 2017/18

Members considered a report that sought approval of the Council's Statement of Accounts for the year ended 31 March 2018 by a committee of the Council before

30 July 2018. The Head of Finance informed Members that the accounts show a true and fair view of the financial position of the Council's income and expenditure for the year 2017/18 and its assets and liabilities as at 31 March 2018.

Members referred to and sought an explanation in respect of the table showing the Council's reserve funds in particular the 'unusable reserve fund' which was showing a negative value. The Head of Finance explained that the unusable reserve fund shows a negative value due to the pension liability, whilst asset valuations are increasing, any increase is offset by the pension liability.

Members referred to the narrative and challenged whether the narrative was more positive than the reality it was meant to reflect. Members were informed that the Council's external auditors had examined the narrative and had requested changes be made in order that the narrative correlated with what they knew about the authority.

Resolved:

- i) That having reviewed the accounts including the significant accounting policies and considered the External Auditors report and opinion on the accounts, the Council's Statement of Accounts and Annual Governance Statement for 2017/18 be approved;
- ii) that following approval of i) above, the person presiding at this meeting shall sign and date the accounts on behalf of the Council, to represent the completion of the Council's approval process of the accounts, in the "Statement of Responsibilities for the Statement of Accounts" in the Statement of Accounts; and
- iii) that the Letter of Representation to Grant Thornton from the Council in relation to the 2017/18 Statement of Accounts, as set out in Appendix 1 to the submitted report, be approved.

150. Corporate Fraud Update

Members noted a report that provided an update on the work undertaken by the Corporate Counter Fraud Officer. Work has thus far concentrated on the Council's income to ensure the collection fund is maximised. This work had resulted in the review of single persons discount awarded to single occupants of properties. Discounts on 790 accounts were removed reflecting a £266,000 increase in the Council Tax charge base.

Members were advised that Torbay will be taking part in a pilot involving the National Fraud Initiative strand of the Cabinet Office. The pilot will match business rates data against other data already held. Stringent checks have been introduced to prevent fraud and protect business rate income. Procedures now necessitate the provision of supporting documentation when a change of circumstances is reported. An online reporting form has been introduced to support the process.

Members noted that a blue badge fraud campaign will commence in Autumn, which whilst not a direct cost to the Council, such fraud has potential to damage revenue and the Council's reputation.

151. Regulation Investigatory Powers Act 2000 Update

Members noted an update regarding the Council's use of Regulation of Investigatory Powers Act (RIPA).

152. Whistleblowing Complaints

Members noted the report and exempt appendix.

Chairman/woman



**Meeting: Audit Committee
Council**

**Date: 25th September 2018
18th October 2018**

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Mid-Year Review 2018/19

Is the decision a key decision? No

When does the decision need to be implemented? Immediate

Executive Lead Contact Details: Mayor Gordon Oliver, 01803 207001,
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Supporting Officer Contact Details: Pete Truman, Principal Accountant, 01803 207302,
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1. Proposal and Introduction

1.1 This report provides Members with a review of Treasury Management activities during the first part of 2018/19. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt & investment operations.

1.2 The key points in the Treasury Management review are as follows:

- New borrowing of £10million taken in year to date (as at end August 2018)
- Re-profiling of capital expenditure to future years reducing the overall borrowing need in 2018/19
- Total borrowing currently in line with the Capital Financing Requirement – under borrowing position anticipated by year end
- Increase in Bank Rate by 0.25% to 0.75% in August 2018
- Forward renewal of core cash investments in one year duration deposits

2. Reason for Proposal

2.1 The preparation of a mid-year review on the performance of the treasury management function forms part of the minimum formal reporting arrangements required by the CIPFA Code of Practice for Treasury Management.

3. Recommendation(s) / Proposed Decision

Audit Committee

- 3.1 that the Audit Committee provide any comments and/or recommendations on the Treasury Management decisions made during the first part of 2018/19

Council

- 3.2 that the Treasury Management decisions made during the first part of 2018/19 as detailed in this report be noted.

4. Background Information

- 4.1 The original Treasury Management Strategy for 2018/19 was approved by Council on 8th February 2018.

- 4.2 The Council defines its treasury management activities as:

“The management of the authority’s investments and cash flows, it’s banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

- 4.3 The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management was adopted by the Council on 25th March 2010. A full revision of the Code was published in December 2017 with new requirements in respect of Non-Treasury Investments (NTI’s) to be implemented from 1st April 2019 (see section 11 and Appendix 2). NTI’s for the Council is likely to include guarantees, loans to organisations and investment properties.

- 4.4 This mid-year review has been prepared in compliance with the CIPFA Code of Practice and covers the following:

- Economic and Interest Rate update;
- Review of the Council’s Borrowing strategy;
- Review of the Council Investments 2018/19;
- Minimum Revenue Provision Policy Statement 2018/19;
- Revenue Budget Performance
- Compliance with Prudential Limits for 2018/19
- CIPFA Code of Practice for Treasury Management and MHCLG Guidance

5. Economic and Interest Rate Update

- 5.1 The Bank of England raised the official Bank Rate by 0.25% to 0.75% in August 2018. This was slightly earlier than anticipated in the Treasury Management Strategy 2018/19 although forward forecasts remain little changed.

- 5.2 The revised forecasts (as at August 2018) from the Council’s treasury advisors, Link Asset Services are detailed in the table below. The expectations for borrowing rates continue to be for a gradual increase.

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

5.3 An economic update is provided at Appendix 1 to this report

6. Borrowing Portfolio 2018/19

6.1 New borrowing taken during the first part of the year is summarised in the table below.

Total Loans	£10 million
Lender	Public Works Loan Board
Average rate	2.53%
Average term	29 years

6.2 Along with funding already held the current year borrowing has been applied fully to two new Investment Fund acquisitions. Overall borrowing stands at £282.4 million and is currently in line with the Capital Financing Requirement. The primary strategy for 18/19 encourages the use of internal cash to fund part of the requirement in the short term and it is intended to achieve an under borrowed position on further capital spend by the end of the year.

6.3 This will however depend on the levels of capital spending applicable in the remainder of the year. The latest version of the Capital Plan indicates a reduction in planned spend (funded by borrowing) from £115M to £59M as a result of a number of regeneration, housing and Investment Fund schemes being re-profiled to future years.

6.4 Timing of further new borrowing will be driven by liquidity needs of capital spending but due regard will be given to any possibility of significant increases in borrowing rate levels which could risk the affordability of capital spending plans. In the event of a shift upward in the rate environment the Chief Finance Officer will vary the focus of the strategy to lock into cheaper funding.

6.5 Assuming the forecast trend of a steady increase in rates remains it will likely prompt a review of the internal borrowing target in the 2019/20 strategy.

7. Investment Portfolio 2018/19

7.1 In line with the primary strategy, cash has been kept in short term and instant access facilities to be available to fund revenue and capital outlay. Extensive use has been made of money market funds averaging around 0.5%.

- 7.2 Following the reduction in planned capital spending in the year focus changed to locking out cash to gain an increase in return. Deals of six month duration have been transacted at a level of 0.81%-0.85%.
- 7.3 Currently, £15 million of core cash is held within longer term deposits and the CCLA Property Fund. The term deposits, averaging 1.72%, all mature later in 2018. One of these deposits has been forward renewed for one year at 1.05% and a further one year deposit with new money has also been transacted at the same rate. The one year duration should enable deals to track the forecast rise in investment rates.
- 7.4 The CCLA Property Fund is performing adequately with a Q1 return of around 4.65%. The impact of new financial reporting standards (IFRS9) and the recent MHCLG consultation on a temporary override is a key consideration on future levels held in the Fund.
- 7.5 At the end of August 2018 the overall investment performance stood at 0.89% against the market benchmark rate of 0.36%
- 7.6 Counterparties with which funds were deposited (April 2018 – August 2018):

Banks

Goldman Sachs International Bank
 Lloyds Bank
 Nat West Bank
 Santander UK
 Svenska Handelsbanken

Other Approved Institutions

Public Sector Deposit Fund
 Goldman Sachs Sterling Fund
 Aberdeen Asset Management
 Funding Circle

Local Authorities

Lancashire County Council
 Newcastle City Council
 Nottinghamshire Police and Crime
 Commissioner

- 7.7 The Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the period of this report.

8 Minimum Revenue Provision (MRP) policy statement

- 8.1 The Minimum Revenue Provision is a statutory charge that the Council is required to make from its revenue budget. This provision enables the Council to generate cash resources for the repayment of borrowing.
- 8.2 No update to the approved 2018/19 MRP policy is required. However in light of the 2018/19 budget position the Chief Finance Officer will review the MRP policy in line with statutory guidance relating to asset lives to establish whether in year savings can be generated. Any changes will be implemented in consultation with the external auditor.

9. Revenue Budget Performance

9.1 The revenue budget for treasury management is still in balance. Within the year the budget for interest payments has been increased to reflect the costs of new borrowing offset by rental income from the new properties.

As at end August 2018	Revised Budget 2018/19	Projected Outturn 2018/19	Variation
	£M	£M	£M
Investment Income	(0.4)	(0.5)	(0.1)
Interest Paid on Borrowing	9.2	9.4	0.2
Net Position (Interest)	8.8	8.9	0.1
Minimum Revenue Provision	4.5	4.5	0.0
Net Position (Other)	4.5	4.5	0.0
Net Position Overall	14.3	13.4	0.1

10. Compliance with Prudential Limits for 2018/19

10.1 Performance of the Treasury Management function against the approved Prudential and Treasury Indicators is provided in the following table.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2018/19 LIMIT	As at 31/08/18
	£M	£M
Authorised limit for external debt -		
borrowing	500	280
other long term liabilities	20	20
TOTAL	520	300
This is the Statutory “affordable borrowing limit” required under section 3(1) of the Local Government Act 2003. Impending breach would require the Council to take avoiding action.		
Borrowing Levels are within the Authorised Limit – no action required		
Operational boundary for external debt -		
borrowing	450	280
other long term liabilities	20	20
TOTAL	470	300
This is the most likely, but not worst case scenario for day-to-day cash management purposes. This indicator provides an early warning for a potential breach in the Authorised Limit. Occasional breach of this limit is not serious but sustained breach would indicate that prudential boundaries the Council has set may be exceeded, requiring immediate Council action.		
Borrowing Levels are within the Operational Boundary – no action required		

£M	2017/18 Actual	2018/19 Revised	2019/20 Revised	2020/21 Revised
Net Revenue Stream	£110m	£112m	£112m	£112m
Interest Paid & MRP as at 31/03/18)	£11m	£14m	£14m	£14m
Interest paid & MRP on new debt	0	0	£2m	£4m
Interest Received	(£1m)	(£1m)	(£1m)	(£1m)
Sub Total	£10m	£13m	£15m	£17m
Percentage of Financing Costs to Net Revenue Stream	9%	12%	13%	15%

11. CIPFA Code of Practice for Treasury Management and MHCLG Guidance

- 11.1 The revised Code of Practice issued in December 2017 increased the scope to incorporate governance of Non-Treasury Investments (NTIs) following the increase in commercial activities by Local Authorities.
- 11.2 Additions to the Council's Treasury Management Practices have yet to be completed pending receipt of the applicable guidance from CIPFA, due autumn 2018. However, ahead of this guidance Appendix 2 sets out the current activities being undertaken by Torbay Council which are expected will fall within this new category and for which Audit Committee will be responsible scrutiny body.
- 11.3 In addition, the new guidance is awaited to confirm whether certain Treasury Indicators, omitted from the Treasury Management Strategy 2018/19 on the interpretation of the new Code should in fact be re-instated. (If so these will be reported for approval in the Treasury Management Strategy for 2019/20.)

Appendices

Appendix 1: Economic Commentary

Appendix 2: Non-Treasury Investments

Background Documents

[Treasury Management Strategy 2018/19](#)

Economics update (Link Asset Services – August 2018)

UK. The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report suggested that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation is currently running at 2.5% but is expected to fall back towards the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for **unemployment**, this is now at a 43 year low of 4% on the Independent Labour Organisation measure, but despite that, wage inflation is currently weak. This is a global theme for the major economies of the world. Indeed, with UK wages running in line with the CPI measure of inflation, real earnings are, in effect, neutral. Given the UK economy is very much services sector driven, any weakness in household spending power is likely to feed through into tepid economic growth. This is another reason why the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit. Additionally, business sentiment surveys, such as the Purchasing Managers Index collated by Markit, suggest the UK is set for only modest **GDP growth** in the second half of 2018 with the monthly updated figure for annual growth being 1.5% as at the end of July. The **housing market** is going through a weak phase – with UK-wide house price growth averaging 2 to 3%, but with London and the south-east experiencing price falls.

As for the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth to around 1% in Q2 2018, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed has already tightened the Fed Funds interest rate to between 1.75% and 2%, and a further two increases to 2.25% - 2.5% are expected before the end of 2018 with the prospect of another increase or two next year. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

EUROZONE. Growth has undershot early forecasts for a strong economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although

growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Document is Restricted

Annual Audit Letter

Year ending 31 March 2018

Torbay Council
20 August 2018

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Your key Grant Thornton
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Executive Summary

Purpose

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 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and 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 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 25 July 2018.

Respective 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) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £5,604k, which is 1.95% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 26 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for in relation to 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 report to the Council on 26 July 2018.
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 2018. We will report the results of this work to the Audit Committee in our Annual Certification Letter.
Certificate	We are unable to certify that we have completed the audit of the accounts of Torbay Council as an objection to the 2016/17 financial statements has not yet been concluded.

Executive Summary

Working with the Council

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

- An efficient audit – we delivered an efficient audit with you in June. The audit opinion was then issued before the new earlier deadline of 31 July.
- 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 thought leadership reports
- Providing training – we provided your team with update training on financial accounts.

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
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council's financial statements, 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 the audit of the Council's accounts to be £5,604k, which is 1.95% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for termination benefits of £20k and for senior officer remuneration of £14.7k.

We set a lower threshold of £280k, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient 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 accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the 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 remainder of the Statement of Accounts and the narrative report and annual governance statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

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

Our audit approach is 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

Significant Audit Risks

These are the significant 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	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • reviewed accounting estimates, judgements and decisions made by management • tested journal entries • reviewed unusual significant transactions 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</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>Our audit work did not identify any issues in respect of the valuation of property, plant and equipment.</p>

Audit of the Accounts

Significant Audit Risks (continued)

These are the significant 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	Findings and conclusions
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 23</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. 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 net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 26 July 2018, in advance of the earlier national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, 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.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 25 July 2018.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the accounts of Torbay Council as there is an objection to the 2016/17 accounts is still in progress. The 2016/17 and 2017/18 audits cannot be closed until this has been concluded.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 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 overleaf.

As part of our Audit Findings report agreed with the Council in July 2018, we agreed recommendations to address our findings:

- The Council must develop realistic savings plans to bridge the budget gap in 2018/19 to 2020/21.
- In the light of being unable to recruit a Director of Transformation, the Council needs to consider whether it has adequate capacity to support and deliver its Transformation Programme.

Overall Value for Money conclusion

We are satisfied that, in all significant respects, except for the matter we identified below, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Ofsted issued a report on the Council's children's services in January 2016 which rated these as 'inadequate'. Since issuing its report Ofsted has published the outcome of the monitoring inspections carried out, with the most recent being in February 2018. This notes that the Council's progress in improving services for its children and young people remains too slow and that the quality of service that some children looked after receive has declined since it was inspected in October 2015.

We concluded that this is evidence of 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.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Ofsted inspection of children's services</p> <p>Ofsted issued a report on the Council's children's services in January 2016 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. Following government direction the Council will be entering a contractual arrangement with Plymouth City Council, who will provide Children's Services on behalf of the Council.</p>	<p>We reviewed the latest position on the arrangements for Plymouth City Council to deliver Children's Services for Torbay from 1/4/18. We also review updated reports from Ofsted as they become available and took these into account in forming our conclusion.</p> <p>The Secretary of State for Education issued a Statutory Direction to the Council in October 2017 directing them to co-operate in the development of a contractual arrangement with Plymouth City Council, who will deliver Children's Services on Torbay's behalf from 2018/19. Arrangements are in place and this has happened with effect from 1/4/18. Alison Botham will be the Joint Director for Children's Services at Torbay Council and Plymouth City Council from 6 July 2018.</p> <p>Ofsted carried out monitoring visits in the year:</p> <ul style="list-style-type: none"> - The July visit reviewed the progress made for care leavers. The letter concluded that "While the pace of change in other areas of the service has been steady and improvements have been implemented and monitored effectively, the quality of service that care leavers receive is not improving swiftly enough." - The February 2018 visit reviewed the progress of children looked after. The letter conclude that "A culture of resistance to challenge within many areas of the workforce remains. This ultimately acts as a barrier to achieving permanent improvement for children across children's services in Torbay. Actions introduced by senior managers to challenge this poor performance have not been effective in the two years since the full inspection". 	<p>Since issuing its report Ofsted has published the outcome of the monitoring inspections carried out, with the most recent being in February 2018. This notes that the Council's progress in improving services for its children and young people remains too slow and that the quality of service that some children looked after receive has declined since it was inspected in October 2015.</p> <p>We concluded that this is evidence of 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>

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Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Medium term financial planning</p> <p>The Chief Finance Officer's Report on the 2018/19 budget indicates shows that the Council needs to identify further savings in the region of £8m over the 2019/20-2020/21 period. The Medium Term Resource Plan (MTRP) is due to be updated by the end of March 2018 to reflect the 2018/19 budget and the updated forecast position on future funding and pressures.</p>	<p>We reviewed the Council's latest MTRP and the 2018/19 budget, considering the assumptions that underpin the figures within them. We also reviewed the 2017/18 savings achieved against those originally planned.</p> <p>The revenue outturn for 2017/18 shows an overspend of £1.7m, which is mainly due to the pressures in Children's Services, offset by savings elsewhere. The Council monitors the savings being achieved against those planned throughout the year with a Savings tracker going to Senior Leadership Team (SLT) on a monthly basis.</p> <p>A balanced budget was set for 2018/19, which including savings of £7.1m. The Council's latest update to the Medium Term Resource Plan was in March 2018. This shows the budget gap in 2019/20 to 2021/22 to be £14.7m. The MTRP is a public document and is updated regularly to reflect changes as they are known. It is a comprehensive document that clearly sets out the financial challenges facing Torbay over the next three years. The MTRP contains reasonable assumptions about the figures over the next four years but also highlights the uncertainties, with 2020/21 being flagged as a key year due to changes in the funding allocation to councils proposed for that year, noting that the population increase for the Torbay area is slower than the national average and assuming a reduction would be likely as a result.</p> <p>The Council are currently working on the development of the 2019/20 budget over the summer, with the consultation on the 2019/20 budget scheduled for October 2018.</p>	<p>The Council's MTRP has a gap of £14.7m over the 2019/20 - 2021/22 period. This represents a considerable challenge for the Council given the savings it has had to make in recent years, with £7.1m required for 2018/19. The Council must urgently develop realistic savings plans to bridge the budget gap while carefully monitoring the achievement of planned savings in 2018/19.</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>

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Transformation Programme</p> <p>The Council is progressing a number of transformation projects as it seeks alternative methods of delivery and increased rates of return on investment. It has established an Investment Fund to invest in property and the level of funds committed has increased to over £115m. It has also set up a holding company for two Housing Companies although these are not trading in 2017/18. There are various other transformation projects progressing at different stages.</p>	<p>We reviewed the arrangements being put in place by the Council for these new initiatives, including whether appropriate advice has been taken.</p> <p>The Council's Transformation Programme Manager currently reports to the Chief Executive, who is responsible for the Transformation Programme overall and chairs the Transformation Board.</p> <p>The Transformation Board consists of the members of Senior Leadership Team (SLT), with members being kept informed via Programme Manager reports and updates to the Executive Group and all member communications. The Board meets monthly and considers new projects in the pipeline as well as monitoring the progress on existing projects. The reporting includes a dashboard of progress on all projects, with RAG rating of the savings being achieved against those planned.</p> <p>The Council has sought external advice on complex schemes, such as the development of the Housing Companies, as this was a new area for the Council.</p> <p>The Council's capacity to deal with the range and volume of transformation projects had been raised as a concern by LGA and CIPFA previously. The Council responded by setting up a Transformation Team. The Team were initially temporary appointments but have now been made permanent. The Council has tried to recruit a Director of Transformation to increase and enhance its capacity in this crucial area but was unsuccessful in attracting suitable candidates.</p>	<p>We concluded that the Council has appropriate arrangements in place for managing and monitoring its transformation programme but there remains concerns over the capacity of the Council to develop, manage and deliver these schemes, on top of delivering the day job. This is something that the Council needs to address in order to give its Transformation Programme the best chance of delivering the changes and savings required.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	February 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees for non-audit services

Service	Fees £
Audit related services	
- Teachers Pension	3,800
Non-Audit related services	
- None	

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Fees

	Planned fee 2017/18 £	Actual fees 2017/18 £	2016/17 fees £
Statutory Council audit	102,053	102,053	102,053
Housing Benefit Grant Certification	8,125	* 8,125	12,237
Total fees	110,178	110,178	114,290

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

* This is the scale fee for 2017/18. The final fee will be confirmed in the Annual Certification Letter.

Audit Progress Report and Sector Update

Torbay Council
Year ending 31 March 2019
26 September 2018



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Introduction



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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

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 13 September 2018

2017/18 Audit

We have completed our audit of the Council's 2017/18 financial statements. Our audit opinion, including our value for money conclusion, was issued on 26 July 2018.

We issued:

- an unqualified opinion on the Council's financial statements; and
- a qualified (except for) value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have concluded our work on the 2017/18 financial year, with the exception of our certification work. Our Annual Audit Letter summarising the outcomes of our audit is included as a separate agenda item.

2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit.

Our detailed work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work will be reported to you in our certification letter.

Meetings

We met with finance officers in June as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Head of Finance and Monitoring Officer in June to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017/18 financial statements.	March 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Complete
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018/19 financial statements.	March 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



MHCLG – Business rate pilots

The Secretary of State has invited more councils to apply for powers to retain the growth in their business rates under the new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services.

This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

The current 50% business rates retention scheme is yielding strong results and in 2018 to 2019 it is estimated that local authorities will keep around £2.4 billion in business rates growth.

Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system in 2020.

Proposals will need to show how local authorities would 'pool' their business rates and work collaboratively to promote financial sustainability, growth or a combination of these.

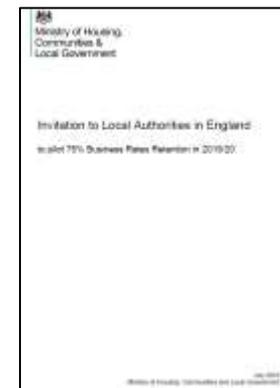
Alongside the pilots, the government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution areas and London. Due to affordability constraints, it may be necessary to assess applications against selection criteria, which will include:

- Proposed pooling arrangements operate across a functional economic area
- Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these
- Proposal sets out robust governance arrangements for strategic decision-making around management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements

Any proposals will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The Section 151 officer of each authority will need to sign off the proposal before submission.

Proposal for new pilots must be received the MHCLG by midnight on Tuesday 25th September 2018.



Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

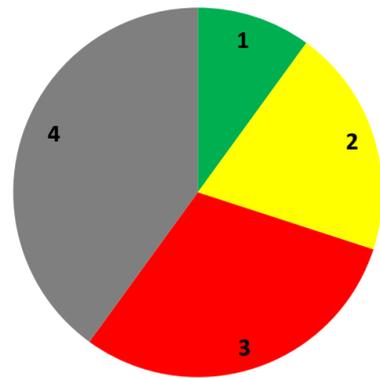
<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

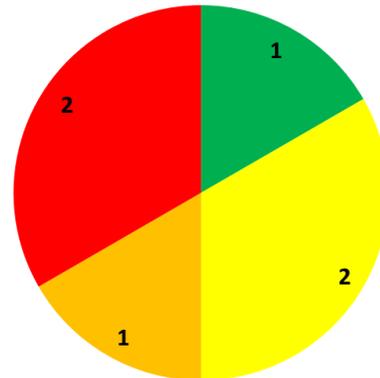
Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

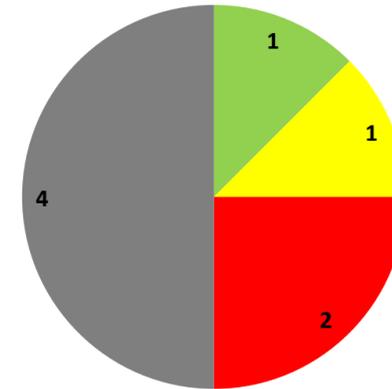
Corporate Performance Report Q1 2018/19



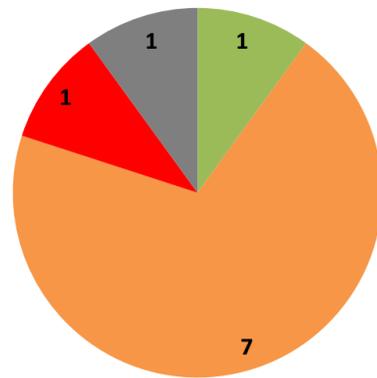
Attractive and Safe Pls (10)



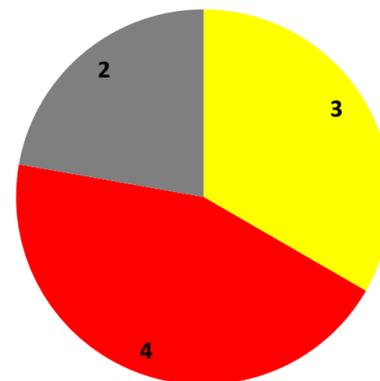
Promoting Healthy Lifestyles Pls (6)



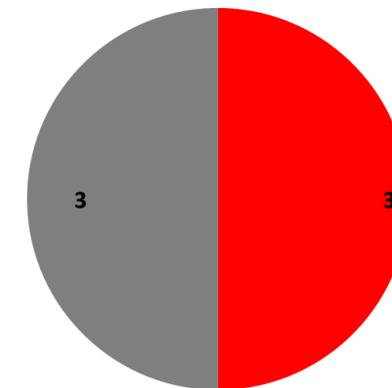
Prosperous Torbay Pls (8)



Protecting all children and giving them the best start in life Pls (10)



Protecting Vulnerable Adults Pls (8)



Running an Efficient Council Pls (6)

Key to Performance Status:



Corporate Plan Priority: Ensuring Torbay remains an attractive and safe place to live and visit

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Quarter 1 2018/19	Last period value
NI191	Residual household waste per household	It's better to be low	On Target	124	120kg	137	124	124	N/A	N/A
NI192	Percentage of household waste sent for reuse, recycling and composting (LAA)	It's better to be high	Well Below Target	42.44%	50.00%	44.01%	43.26%	42.44%	N/A	N/A
ASPI00 a	Numbers on the housing waiting list by Band A	It's better to be low	Well Above Target	Band A 3	Band A 2	3	5	3	4	4
ASPI00 b	Numbers on the housing waiting list by Band B	It's better to be low	Well Below Target	Band B 242	Band B 300	205	223	242	238	238
ASPI01	Average number sleeping rough (Local Data)	It's better to be low	On Target	37	20	22	32	37	21	21
ASPI08	Number of Events by Torbay Council or on Council Land	N/A	(monitoring only)	8	N/A	64	16	8	44	44
	BID PIs in development									
	BID PIs in development									

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Quarter 1 2018/19	Cumulative to date
ASPI02	Numbers in Temporary accommodation	It's better to be low	Well Above Target	537	105	156	132	123	164	164
ASPI05	Domestic violence incidents	N/A	(monitoring only)	3,541	N/A	982	818	852	824	824

Corporate Plan Priority: Promoting healthy lifestyles across Torbay

The Corporate Support Team is working with Public Health to Develop PIs, and provide more up to date, more frequent data.

Code	Title	Polarity	Status	Prev Year End	England Value		Last period value
PHOF2.0 6iHI	Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)	It's better to be low	Above Target	24.2%	22.6%	2016/17	24.3%
PHOF2.1 5iHI	Successful completion of drug treatment – opiate users	It's better to be high	Well Above Target	5.9%	6.7%	2016	8.4%
PHOF2.1 3iHI	Percentage of physically active adults	It's better to be high	On Target	55.5%	66.0%	2016/17	67.1%
PHOF2.1 2HI	Excess weight in adults - Percentage of adults classified as overweight or obese	It's better to be low	On Target	61.2%	61.3%	2016/17	62.0%
PHOF2.0 3HI	Smoking status at the time of delivery	It's better to be low	Well Above Target	15.0%	10.7%	2016/17	15.2%
PHAP10. 01	Admission episodes for alcohol-related conditions (persons; narrow definition)	It's better to be low	Well Above Target	886	636	2016/17	841

Corporate Plan Priority: Working towards a more prosperous Torbay

Code	Title	Polarity	Status	Prev Year End	Great Britain / Quarter Target	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Quarter 1 2018/19	Last period value
PTPI07	Housing Benefit Caseload Count	N/A	(monitoring only)	12,124	N/A	12,287	12,164	12,124	11,967	11,967

Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Quarter 1 2018/19	Last period value
PTPI02	Gross rateable value of Business Rates (NNDR)	It's better to be high	On Target	£92,989,205	£93,350,435	£93,045,830	£92,880,115	£92,989,205	£93,390,510	£93,390,510
	Employment PI in development									
	Economic PI in development									
	Local Procurement PI in development									

Code	Title	Polarity	Status	Prev Year End	Great Britain / Month Target	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Last period value
PTPI03	Out of Work Benefits Claimant Count	It's better to be low	Below Target	2.4%	2.2%	1.9%	1.8%	1.8%	1.9%	2.0%	2.1%	2.3%	2.4%	2.4%	2.3%	2.2%	2.0%	2.0%

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	£442.40	£552.70	2017												£477.10
PTPI06	Earnings by Workplace (weekly full time)	It's better to be high	Well Below Target	£422.40	£552.30	2017												£467.10

Corporate Plan Priority: Protecting all children and giving them the best start in life

(Data is derived from a live database that is continually updated. Previously reported numbers are subject to change)

Code	Title	Polarity	Status	Average Monthly for 17/18 Year	Anticipated Performance Level	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Average for year
4	Number of Social Care Referrals	In line with benchmarks	Above expected levels	153	160	180	137	122	112	161	105	161	144	198	201	178	180	180

Code	Title	Polarity	Status	Average Monthly for 17/18 Year	Anticipated Performance Level	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Last period value
18	Number of Children Looked After	In line with benchmarks	Well above expected levels	327	250	290	286	279	277	287	291	300	308	327	326	338	353	353

1	Number of Early help referrals received in month	In line with our service expectations	Below expected levels	61	80 per month (360)	66	56	60	68	84	36	53	51	48	74	80	66	66

12	Number of CP plans at month end by Category	In line with benchmarks	Below expected levels	205	172	234	248	247	220	198	174	159	144	146	145	153	144	144

11	% of children with an Initial Child Protection Conference held within 15 days from strategy meetings	Its better to be high	Below expected levels	66%	100.0%	63%	63%	57%	73%	53%	68%	82%	68%	42%	31%	74%	65%	65%

	Timeliness of Single Assessments - completed in month	Its better to be high	Below expected levels	67%	82%	72.2%	54.3%	55.9%	63.8%	51.6%	78.0%	79.5%	59.2%	79.1%	55.2%	64.4%	52.6%	52.6%

Code	Title	Polarity	Status	As at 2017/18 Year End	Anticipated Performance Level	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Last period value
16	% CLA cases reviewed within timescales during the month	Its better to be high	Below expected levels	96.1%	100%	94.8%	94.8%	94.4%	95.9%	96.6%	97.1%	96.1%	96.2%	95.6%	94.8%	94.5%	95.6%	95.6%
12	Children on CIN plans visited within 30 working days	Its better to be high	Below expected levels	71.1%	90%	70.8%	71.0%	69.6%	85.6%	77.3%	73.3%	79.5%	80.4%	83.4%	81.7%	76.5%	73.3%	73.3%
12	Timeliness of adoptions - In development																	

Code	Title	Polarity	Status	As at 2017/18 Year End	Quarter Target	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Quarter 1 2018/19	Last period value
17	Social Work Staffing levels - vacancies	Its better to be low	Above expected levels	22.4%	18%	21.9%	19.7%	22.4%	25.5%	25.5%

Corporate Plan Priority: Protecting and supporting vulnerable adults

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Year to end of month
LI404	No. of permanent care home placements	It's better to be low	On Target	604	630	634	637	638	632	637	634	629	608	604	602	605	616	616
SC-007b	Number of out of area placement reviews overdue by more than 3 months (snap shot)	It's better to be low	On Target	0	0	0	0	0	1	1	0	0	0	0	1	0	0	0
ASC 2C p2	Delayed transfers of care from hospital. Part 2 - attributable to social care	It's better to be low	No Target	1.9	N/A	1.2	1.2	1.5	1.7	1.8	2.0	2.0	2.0	1.9	2.6	2.5	N/A	Reported 1 month in arrears 2.5
SC-008 (LI-451)	% of social care service users receiving 5 hours or less of dom care per week only	It's better to be low	On Target	10.8%	10.0%	10.1%	10.0%	9.9%	9.9%	10.1%	10.1%	10.2%	10.3%	10.4%	10.8%	10.3%	10.0%	10.0%
1135	Carers receiving needs assessment or review & a specific carer's service, or advice & information (LAA)	It's better to be high	Well Below Target	42.0%	9.0%	21%	25%	31%	34%	34%	36%	38%	41%	42%	1%	3%	5%	5%
	Number of Safeguarding referrals	N/A	No Target	267	N/A	91	113	135	159	175	194	217	243	267	18	42	66	66
TCT14b	Safeguarding Adults - % repeat SG referrals in last 12 months	It's better to be low	Well Above Target	7.1%	8.0%	7.5%	7.5%	7.0%	7.6%	6.9%	6.6%	5.9%	6.0%	7.1%	8.4%	9.1%	9.9%	9.9%
ASC 1E	Proportion of adults with a learning disability in paid employment	It's better to be high	Well Below Target	3.8%	2.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.7%	3.3%	1.0%	1.0%	1.0%	1.0%
ASC 1H	Proportion of adults in contact with secondary mental health services who live independently, with or without support (commissioned outside ICO)	It's better to be high	Well Below Target	55.0%	68.0%	51.8%	53.5%	57.6%	53.8%	52.5%	54.8%	54.0%	52.7%	55.0%	51.5%	55.1%	55.4%	55.4%
SC-011	Number of people discharged from hospital into permanent residential care (social care funded)	It's better to be low	No Target	7	N/A	1	4	4	4	5	5	6	6	7	0	2	3	3

Corporate Plan Priority: Running an Efficient Council

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Cumulative to date
RECPI01	Agency Staff Cost (excluding schools)	It's better to be low	Well Above Target	£2,483,714	£35,300	£194,427	£180,279	£150,326	£240,142	£200,427	£158,149	£266,134	£171,432	£516,907	£112,107	£305,328	£354,800	£772,235
<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>Adults £0k, Children's £303.1k, Public Health £0k, Corporate Services & Operations £43.1k and Commercial Services & Transformation £8.6k</p> </div> <div style="width: 60%; text-align: center;"> </div> </div>																		
Priorities for last quarter				Achieved?	Priorities for next quarter													
Code	Title	Polarity	Status	Prev Year End	Annual Target	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Last period value
RECPI02	Variance Against Revenue Budget (projected)	It's better to be low	Well Above Target	£1,876,000	£0	£821,000	£1,700,000	£2,416,000	£1,900,000	£2,600,000	£2,548,000	£2,516,000	£2,870,000	£1,876,000	£-	£-	£2,844,000	£2,844,000
<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"></div> <div style="width: 60%; text-align: center;"> </div> </div>																		
Priorities for last quarter				Achieved?	Priorities for next quarter													
					Identifying savings for 2019/20													
					Developing The Efficiency Plan for 2021 onwards													
Code	Title	Polarity	Status	Prev Year End	Target	Quarter 2 2017/18			Quarter 3 2017/18			Quarter 4 2017/18			Quarter 1 2018/19			Last period value
RECPI05	Stage 1 complaints dealt with on time	It's better to be high	Well Below Target	54%	90%	54%			63%			54%			44%			44%
Priorities for last quarter				Achieved?	Priorities for next quarter													
				Yes	Fundamental review of complaints and member casework policy and procedure to look at how timeliness and quality can be improved													

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Cumulative to Date
RECPI06	Number of stage 1 complaints logged	N/A	(monitoring only)	395	N/A	38	38	42	28	26	13	42	28	35	56	68	105	229
RECPI08	Number of stage 1 complaints logged per 1,000 population	N/A	(monitoring only)	0.3	N/A	0.3	0.3	0.3	0.2	0.2	0.1	0.3	0.2	0.3	0.4	0.5	0.8	1.7
RECPI07	Number of Data breaches	N/A	(monitoring only)	25	N/A	16	16	21	24	31	36	41	42	44	4	6	13	19
Priorities for last quarter				Achieved?	Priorities for next quarter													
Greater awareness across organisation of need to report breaches and suspected breaches				Yes	Staff awareness of the need to report security breaches which have not lead to a loss / disclosure of data - leading to improvements in secure data management													
GDPR Project plan				On-going	Greater awareness amongst staff and managers of the consequences of personal data breaches ensuring this is written into policies													
					DPIA template and guidance on the intranet													