

Audit Committee
Progress and Update Report for
Swindon Borough Council
Year ended 31 March 2016

21 February 2017

Elizabeth Cave

Director

T 0117 3057855

E Liz.A.Cave@uk.gt.com

Chris Hackett

Audit Manager

T 0117 3057876

E Chris.I.Hackett@uk.gt.com

Anna McWilliam

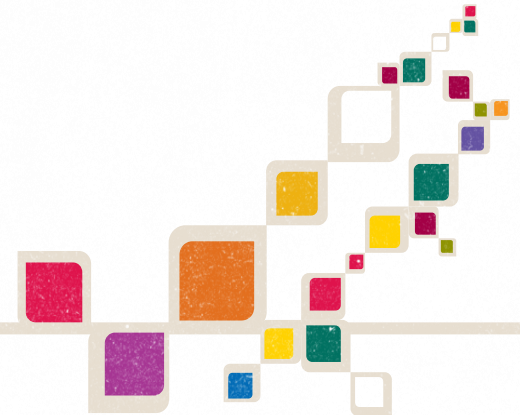
Executive

T 0117 3057611

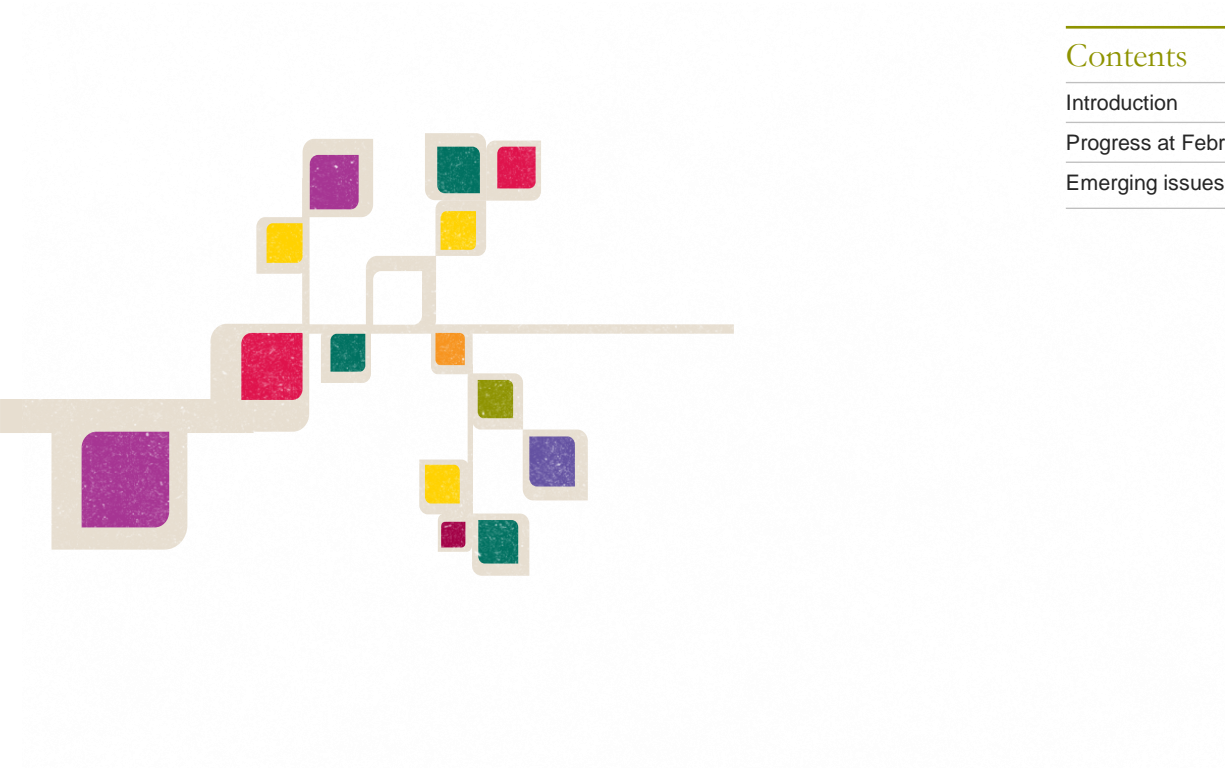
E Anna.K.McWilliam@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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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 including:

- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

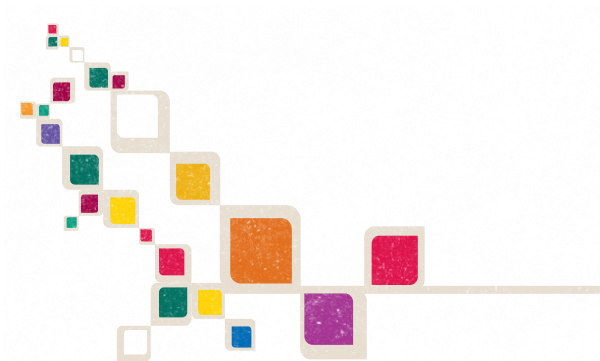
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Elizabeth Cave
Engagement Lead
T 0117 3057885
M 07880 456128
E Liz.A.Cave@uk.gt.com

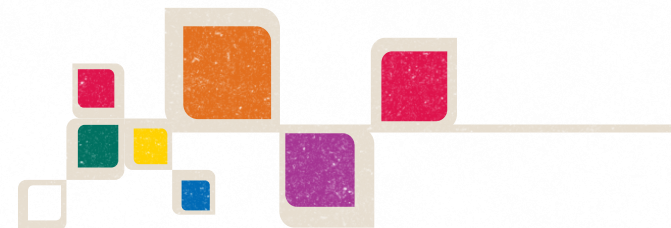


Chris Hackett
Manager
T 0117 3057876
M 07880 456130
E Chris.I.Hackett@uk.gt.com



Progress at February 2017

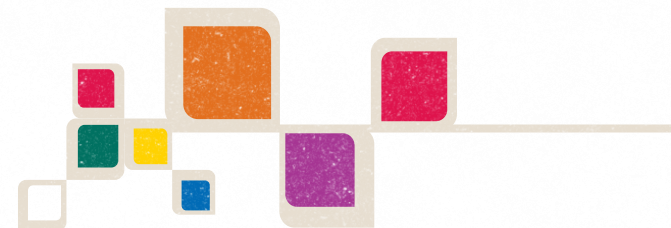
Grant Certification work 2015-2016



2015/16 work	Completed	Comments
<p>Grant Certification</p> <p>At the Audit Committee meeting in November 2016 we reported that our only remaining 2015/16 work related to the certification of grants. We are required to complete work on the following returns:</p> <ul style="list-style-type: none"> - Housing Benefit - Homes and Communities Agency return - Teachers Pension Return - Pooled capital receipts return 	See below	<p>We have charged the following fees:</p> <p>Housing Benefit £10,476</p> <p>Homes and Communities Agency return £2,500</p> <p>Teachers Pension Return £4,200</p> <p>Pooled capital receipts return £2,200</p>
<p>Housing Benefit</p> <p>We are required to complete the work specified by Public Sector Audit Appointments which comprises the following:</p> <ul style="list-style-type: none"> - A random sample of 60 cases, 20 each on rent allowances, HRA rent rebates and non HRA rent rebates. For each case we are required to test all transactions in detail to supporting information. - A test of software controls to ensure the computer system used by the Council includes up to date parameters and software up-dates - An analytical review comparing HB payments to national trends and prior year spend at the Council - Specific tests on a range of risk areas such as un-cashed cheques, reconciliations from the claim to the system and to the accounts. 	Work was completed on November 17 th ahead of the national deadline of November 30 th .	We identified two minor issues relating to the documentation of evidence, neither case impacted the subsidy claimed by the Council.

Progress at February 2017

Grant Certification work 2015-2016 continued



2015/16 work	Completed	Comments
<p>Homes and Communities Agency return</p> <p>The Council is claiming support of £325,000 from the Homes and Communities Agency (HCA) towards the cost of refurbishing 15 flats at Townsend House. We were required to complete a detailed checklist specified by the HCA. This required us to review detailed information relating to the project.</p>	<p>Work was completed on November 8th ahead of the deadline of November 21st.</p>	<p>We reported our findings to the HCA in line with their requirements. Some documentation was not available for us to review, although this mainly arose where the contract was not at final completion. One key item not available related to the contractor not having signed and dated a formal contract, although a formal Progress Report was available after start on site, as was evidence to support the tender process.</p>
<p>Teachers Pension Return</p> <p>We undertook a review in line with the requirements of the Teacher's Pensions Agency (TPA). During the year the Council paid employer's pension contributions of £4m and Council employed teachers paid employee contributions of £2.3m.</p>	<p>Work was completed on November 17th ahead of the national deadline of November 30th.</p>	<p>We reported one issue. We found the monthly build-up of pensionable pay based on returns to the TPA totalled £3,067,592.40. This differed from the year-end total on the payroll system of £3,072,942.90 by £5,350.50. Officers understand this reflects alterations to monthly payroll done in subsequent months but have not provided a breakdown.</p>
<p>Pooled capital receipts Return</p> <p>The Department for Communities and Local Government requires independent certification and reporting on capital receipts received by councils in respect of right to buy sales of Council houses. The value of the return was £3.3m.</p>	<p>Work was completed on November 17th ahead of the national deadline of November 30th.</p>	<p>We had no issues to report.</p>

Progress at 21 February 2017

2016/17 audit



Progress against plan
On track



Opinion and VfM conclusion
On Track



Outputs delivered Fee letter

2016/17 work

Completed Comments

Fee Letter

We issued the 'Planned' fee letter for 2015/16 in April 2015.

April 2016

Accounts Audit Plan

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.

No

To be reported to the April Audit Committee meeting

We also inform you of any subsequent changes to our audit approach.

Interim accounts audit

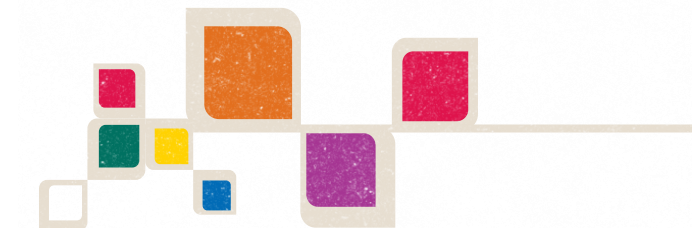
Our interim fieldwork visit includes:

- updating our review of the Council's control environment
- updating our understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing

No

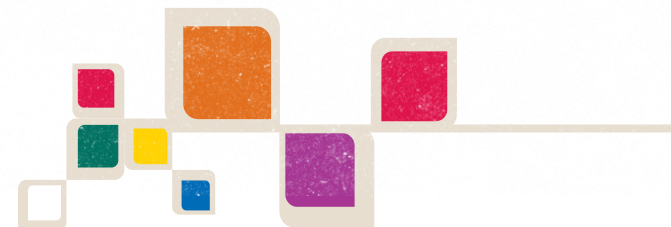
Underway currently. Due to complete end of February 2017.

Progress at 21 February 2017



2016/17 work	Completed	Comments
Final accounts audit Including: <ul style="list-style-type: none"> Audit of the 2016-17 financial statements proposed opinion on the Council's accounts 	No	The matters arising from our work will be reported to the September Audit Committee.
Grant Certification We are required to complete work on the following returns: <ul style="list-style-type: none"> Housing Benefit Homes and Communities Agency return Teachers Pension Return Pooled capital receipts return 	N/A	Our work will be completed by the deadline of 30 November 2017.
Other activities We provide a range of workshops, along with network events for members and publications to support the Council. Annual Audit Letter	On-going No	Our accounts workshop is scheduled for 1 st March 2017. The Annual Audit Letter will be completed by October 2017.

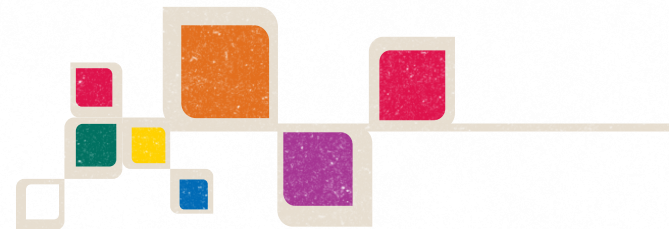
Progress at 21 February 2017



2016/17 work	Sub-Criteria	Comments
<p>Value for Money conclusion</p> <p>Background</p> <p>The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.</p> <p>The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.</p> <p>The guidance identifies one single criterion for auditors to evaluate:</p> <p><i>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.</i></p> <p>This is supported by three sub-criteria as set out opposite:</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p> <p>Working with partners and other third parties</p>	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control. Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities. Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Progress at 21 February 2017

2016/17 Value for Money Continued



2016/17 work

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

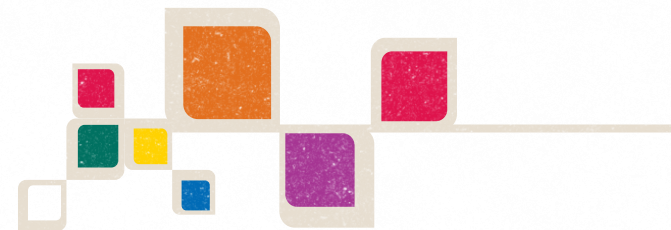
Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 18 September 2017.

Progress at 21 February 2017

2016/17 Value for Money Continued



Significant risk	Link to sub-criteria	Work proposed to address
<p>Financial Planning</p> <p>The Council forecast currently it will overspend its 2016/17 revenue budget by £6.5m. Delivery of the 2017/18 budget remains a risk. Savings of £7.5m have been assessed and a contingency of £4.1m has been established to cover non-delivery.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>To support our work to give our conclusion on the Council's arrangements for planning finances we will review how the Council has built up its savings plans and risk assessed the prospects for delivering them.</p>
<p>Adult Social Care</p> <p>In common with many other councils nationally Swindon's Adult social Care Services are under considerable pressure. It is projected currently the Service will overspend its budget by £4.6m this year. There is a risk demand cannot be managed and the service cannot be funded in the medium term.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>We will review:</p> <ul style="list-style-type: none"> - actions to contain the current overspend, - longer term actions to manage demand and to transform services.

Technical Matters



Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year.

The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures.

Grant Thornton



Apprentice Levy-Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times £5,000,000 = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy

Grant Thornton Events

Joint Venture Seminar , 6th December - Taunton

Following the publication of our 'Better Together' report we hosted a seminar in Taunton. The session included presentations from some of the practitioners interviewed in researching our report.

Local government continues to innovate and change, as it looks for ways to protect front line services we are expecting to see an increase in the number of Joint Ventures (JVs) for service delivery being established. Our event provided an invaluable insight into setting up and running JVs and was attended by 22 officers and members from Councils in the South West, including x from x Council.

Attendees heard from Arthur Hooper, Group MD of CORSERV, who shared his experiences of developing the newly formed JV with Nottinghamshire County Council for Highways, highlighting the importance of collaborative partnership working and staff engagement.

Mark Cook, Partner at Anthony Collins Solicitors discussed the legal implications to consider when setting up a JV.

Sophie Hosking, Executive Director – Service Delivery and Commercial Development, South Ham District and West Devon Borough Council highlighted their journey so far in establishing a joint local authority company and why they are exploring this route.

Mike Britch, Norse Group MD discussed how the Norse Group have established 25 JVs with local authority partners and highlighted the importance of using JVs to change the outcome in service delivery and client commissioning as well as ensuring arrangements are not too complex.

The morning ended with a panel session where our speakers were joined by Sally McKinlay (Tax Director – Grant Thornton).

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You can download a copy of the Grant Thornton report – Better Together from our website at

<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company>

Hard copies are also available from your Engagement Lead and Audit Manager.



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