

# Accounts and Audit Committee Progress and Update Report for Ribble Valley Borough Council

November 2016

**Karen Murray**

Engagement Lead

**T** 0161 234 6364

**E** karen.l.murray@uk.gt.com

**Caroline Stead**

Audit Manager

**T** 0161 234 6355

**E** caroline.l.stead@uk.gt.com

**Amelia Payton**

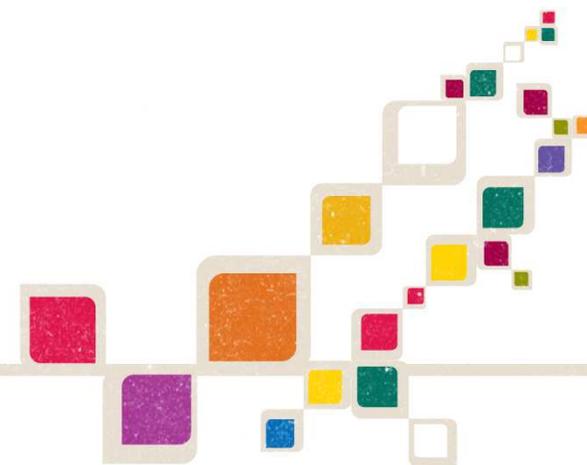
In Charge Auditor

**T** 0161 953 6943

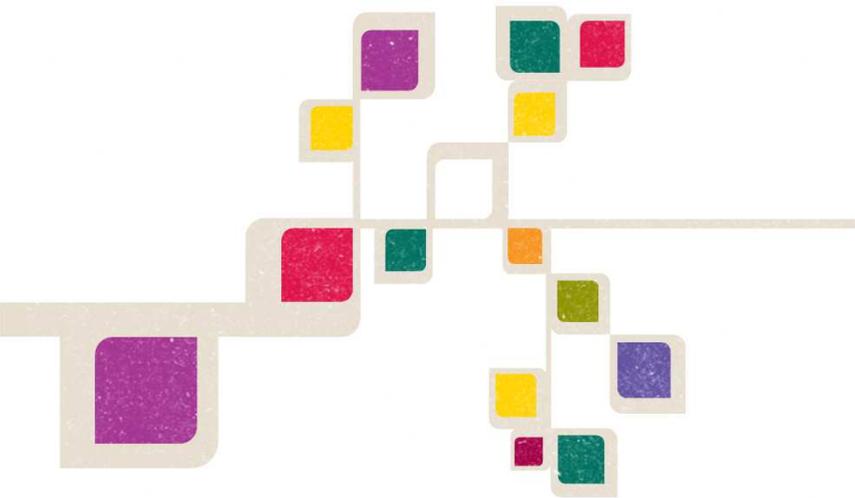
**E** amelia.l.payton@uk.gt.com



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 Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Accounts and Audit Committee may be interested in our Greater Manchester Health Pioneer event which we are running on 24 November 2016 – see page 13.

To register go to <https://sites-grant-thornton.vuturevx.com/55/1031/landing-pages/your-vip-manchester-live-invitation.asp>

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); [www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/](http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/)
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); [www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Your Generation: Making decentralised energy happen <http://www.grantthornton.co.uk/en/insights/making-decentralised-energy-happen/>
- Reforging local government: Summary findings of financial health checks and governance reviews (December 2015) <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>,
- Culture of Place: A copy of the report and a collection of short videos can be found on our website at: <http://www.grantthornton.co.uk/en/insights/culture-of-place/>

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

**Cyber security in the public sector:** Our short video outlines questions for public sector organisations to ask in defending against cyber crime <http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

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



**Karen Murray**

**Engagement Lead**

**T** 0161 234 6364

**M** 07880 456 205

**E** [karen.l.murray@uk.gt.com](mailto:karen.l.murray@uk.gt.com)



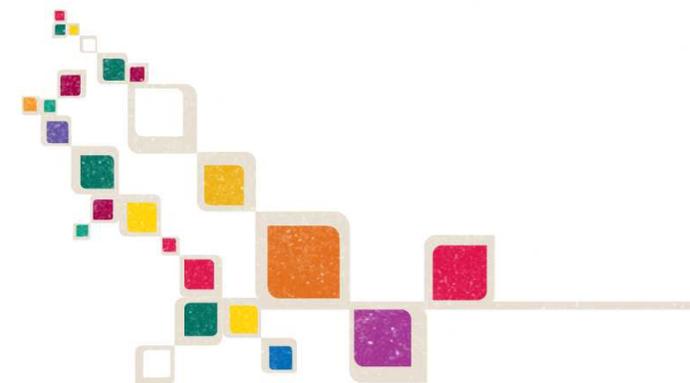
**Caroline Stead**

**Engagement Manager**

**T** 0161 234 6355

**M** 07880 456 208

**E** [caroline.l.stead@uk.gt.com](mailto:caroline.l.stead@uk.gt.com)



# Progress at November 2016



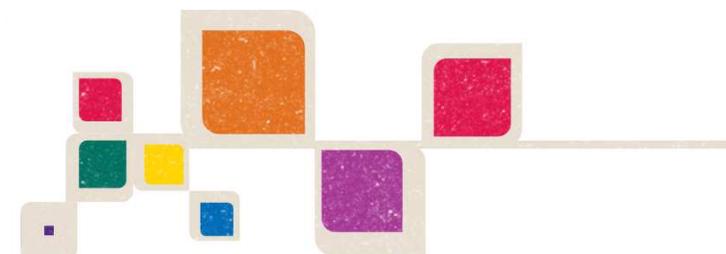
 **Progress against plan**  
On track

 **Opinion and VfM conclusion**  
Issued 24 August 2016, before the deadline of 30 September 2016

 **Outputs delivered**  
Fee letter, Audit Plan, Progress Reports, Audit Findings Report and Annual Audit Letter delivered to plan

2015/16 work	Completed	Comments
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>Audit of the 2015-16 financial statements</li> <li>proposed opinion on the Council's accounts</li> </ul>	June - August 2016	<p>The draft accounts were received in June. We began work on site on 6 June 2016.</p> <p>We substantially completed our audit by the end of July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>The findings from our final accounts work were reported to the Audit and Accounts Committee on 17 August 2016, after which we issued an unqualified audit opinion.</p>
<p><b>Annual Audit Letter</b> Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2016.</p>	October 2016	<p>We issued our Annual Audit Letter on 18 October 2016 and it is to be presented to the Accounts and Audit Committee at this meeting.</p> <p>The Annual Audit Letter also confirms that we certified that we have completed the audit of the accounts of the Council.</p>
<p><b>Other activities</b> We provide a range of workshops, along with publications to support the Council.</p>	On-going	<p>In February 2016 we provided a local workshop covering changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>Further details of the publications that may be of interest to the Council are set out from page 7.</p>
<p><b>Housing Benefit Subsidy claim</b> We are required to review and certify the claim by 30 November 2016.</p>	On track	<p>We are currently completing our work on the claim and are on track to meet the deadline of 30 November 2016.</p>

# Progress at November 2016



2016/17 work	Completed	Comments
<p><b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.</p>	March 2017 On track	
<p><b>Interim accounts audit</b> Our interim fieldwork visit will include:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> </ul>	January 2017	We will agree dates for the interim visit and our early testing with your finance team.
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June and July 2017 On track	
<p><b>Value for Money (VfM) conclusion</b> The scope of our work is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	January to August 2017 On track	

# Grant Thornton Sector Issues



# Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

# Grant Thornton Technical update





## Accounting and audit issues

### Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

### Challenge questions:

- Is your Director of Resources aware of this new direction?

# Grant Thornton Publications and events



# Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>





## Grant Thornton Event

Is the Council aware of this event?

### **Great health improves individual prospects and economic prosperity. But are we truly realising this as a region?**

Greater Manchester has so many outstanding things going for it: trail-blazing businesses with people's wellbeing at the core, technological innovation, world-class universities, a variety of on-going health initiatives and a devolved healthcare budget of £6 billion. Yet health levels are lower in this region than in others across the UK, so how can we realise our region's potential to create a healthy population and the benefits this could bring to Manchester's economy and its people?

- What if we better connected the public, private and not for profit sectors?
- What if a broader range of people committed to collectively improving health outcomes?
- What if communities could reduce their demand on the NHS?
- What if businesses increased the health and wellbeing of their employees?
- What if best practice was showcased, replicated and accelerated?
- What if technology companies found it easier to pilot health innovations?

### **Join us on 24 November 2016 to consider actions that will answer the question: How do we all mobilise Greater Manchester to pioneer world class health?**

You'll be joined by around 200 dynamic individuals from across the region – leaders from business, charities, education and the public sector, influencers, creative brains and people in our community – for an inspirational day of innovation, inquiry and transformation.

It will be an inventive and practical day of 'sleeves rolled-up' working together to explore the potential, share ideas and come up with real actions that will help our region be the healthiest it can be. This is not a talking shop! To register go to <https://sites-grant-thornton.vuturevx.com/55/1031/landing-pages/your-vip-manchester-live-invitation.asp>

# Culture of Place

## Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

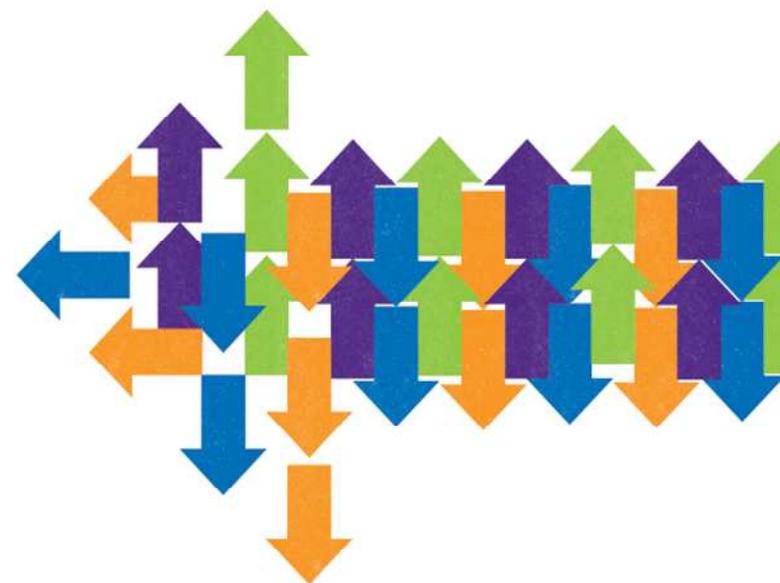
A copy of the report and a collection of short videos can be found on our website at:

<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports

**Challenge question:**

Is the Council familiar with this publication?



# Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

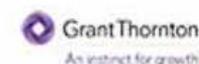
- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



Advancing closure  
Transforming the financial reporting of  
local authority accounts



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

# CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.



We are happy to organise a demonstration of the tool if you want to know more.



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