NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the

The Guildhall, St. Giles Square, Northampton, NN1 1DE.

on Monday, 14 November 2016

at 6:00 pm**.**

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic services@northampton.gov.uk when submitting apologies for absence.

1. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

6. EXTERNAL AUDIT ACTION PLAN MONITORING

(Copy Herewith)

7. EXTERNAL AUDIT CONTRACT PROCUREMENT

(Copy Herewith)

8. TREASURY MANAGEMENT OUTTURN REPORT 2015/16

(Copy Herewith)

9. FINANCE REPORT - JULY 2016

(Copy Herewith)

10. POSITION STATEMENT ON VACANT POSTS AND INTERIM/AGENCY STAFF

(Copy Herewith)

11. CORPORATE PERFORMANCE OUTTURN REPORT 2015/16

12. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

(Copy Herewith)

13. INTERNAL AUDIT LGSS UPDATE

(Copy Herewith)

14. INTERNAL AUDIT PWC UPDATE

(Copy Herewith)

15. EXTERNAL AUDIT KPMG UPDATE

(Copy Herewith)

16. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:
"THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

SUPPLEMENTARY AGENDA

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: -

Public Participation
Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 5 September 2016

PRESENT: Councillor Penny Flavell (Chair); Councillor James Hill (Deputy Chair); Councillors Matt Golby, Marriott, Stone and Patel

APOLOGIES: Councillor Clement Chunga

2. MINUTES

The Minutes of the meeting held on 25 July 2016 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

Councillor Sally Beardsworth addressed the Audit Committee on agenda item 6 – Final Statement of Accounts. She queried the right to buy scheme and whether the money from this was spent on new builds. She added that Council and affordable housing in the town is in short supply. In response, the Chief Finance Officer advised that 70% from right to buy sales must be given to the Government; the Authority can keep the remaining 30% on the proviso that it is matched funded in the Housing Revenue Account and reinvested into new properties. A report is due to be presented to Cabinet at its meeting on 7 September 2016.

Councillor Elizabeth Gowen addressed the Audit Committee on agenda item 7 – KPMG External Audit – ISA260 Report. She commented that it appeared that a lack of evidence had been provided to the external auditors on time in respect of loans. Councillor Gowen added that in her opinion, this showed lack of capacity and training for staff. Councillor Gowen concluded her address by highlighting that audit trails are crucial.

Councillor Sally Beardsworth addressed the Audit Committee on agenda item 7 – KPMG External Audit – ISA260 Report referring to loans that the Council has given and the Council is acting like a bank. Councillor Beardsworth added that she had originally requested that the loan to NTFC be referred to Overview and Scrutiny to ensure that procedures and processes were in place.

The Chair thanked Councillors Beardsworth and Gowen for their addresses.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. FINAL STATEMENT OF ACCOUNTS

The Interim Strategic Finance Manager presented the report and confirmed that there were minor changes. He advised that the audit had gone well and there were no material changes.

The Audit Committee considered the Statement of Accounts (SoA) and Annual Governance Statement (AGS).

The Chief Finance Officer requested that authority was delegated to the Chair of the Audit Committee, in consultation with the Chief Finance Officer, to agree any further changes that may arise between the Audit Committee date and the date that KPMG issued the Audit Opinion.

In response to questions from the Audit Committee, it was confirmed that NBC is acting as a facilitator in respect of the loan to the University of Northampton. Some of the loans have margins to reflect risk, for example Cosworth, the University of Northampton and Unity Leisure. No margin is applied to the loan to the Rugby Club. A significant amount of focus and monitoring is applied to the loans. There are no issues at present with the repayments of loans from third parties.

At this point the Chair confirmed that she and the Chief Finance would not sign the Statement of Accounts until the Committee had considered the next agenda item 7 – KPMG External Audit – ISA260 Report. The Committee then heard from Officer, KPMG.

The Committee adjourned for two minutes whilst the Chair of the Audit Committee and the Chief Finance Officer signed the Statement of Accounts.

Resolved that:

1 The SoA 2015/16 is approved.
2 The AGS signed by the Leader and Chief Executive is acknowledged.
3 If there are minor amendments to the SOA required before 30 September 2016, following finalisation of the external audit work, that the Chair of the Audit Committee is delegated to sign them in consultation with the statutory S151 Chief Finance Officer (CFO).
4 The Chair of the Audit Committee, in consultation with the statutory S151 Officer, is delegated to sign a letter of representation to the Council's external auditors – KPMG.
5 Officers are requested to report to each subsequent Audit Committee on progress against the recommendations in the ISA260 external audit report.

7. KPMG EXTERNAL AUDIT - ISA260 REPORT

The Chief Finance Officer submitted a report, which informed the Audit Committee on the findings and recommendations following external audit work carried out by KPMG on the draft statement of accounts.

The External Auditor, KPMG, drew the Committee's attention to each section of the report; highlighting salient points. It was confirmed that a qualified value for money conclusion would likely be given for the loan to NTFC; and an unqualified opinion on the Authority's financial statements was expected too.

In answer to the Committee's queries, the External Auditor advised that the report contains recommendations regarding future internal and external scrutiny. Progress reports on the delivery of the recommendations contained within the ISA260 report would be presented to each meeting of the Audit Committee.

Resolved that:

The report is noted and used to inform the Audit Committee of its approval of the Final Statement of Accounts.

8. AGENCY STAFF / VACANT POSTS REPORT

The Chief Finance Officer presented the Audit Committee with additional information and answers in relation to a query regarding vacant posts and interim staff that had been raised by the Committee at its March 2016 meeting.

In response to questions raised by the Committee, the Chief Finance Officer advised that Directors and Heads of Service are accountable and undertake budget management in respect of staffing. The Committee requested further details regarding Agency Staff length of service and an update would be provided to the November 2016 meeting.

Resolved that :

1. The report is noted.
2. A further report is presented to the meeting of the Audit Committee on 14 November 2016.

9. INTERNAL AUDIT UPDATE - PWC

The Internal Auditor, PWC, informed the Audit Committee on the current progress of internal audit work being carried out by PWC against the work plan. The Internal Auditor went on to advise of the role of PWC, internal auditors, and the role of LGSS Finance. He confirmed that there were no duplications of effort and provided examples.

At this point the Chair thanked Officers from PWC and KPMG for their attendance at the meeting.

Resolved that:

The report is noted.

The meeting concluded at 19:35 hours

Appendices 3:
1. **ISA260 Action Plan**
2. **Final Letter of Representation**
3. **Summary of minor amendments to SoA 2016/16**

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	ISA260 2015/16 Action Plan Progress

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 November 2016
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

1.1 To inform Audit Committee of the progress against the recommendations raised as part of the External Auditor's 2015/16 ISA260 Report and the proposed action plan.

1.2 To inform Audit Committee of the final Letter of Representation and minor amendments to the 2015/16 Statement of Accounts (SoA).

2. Recommendations

2.1 That the Audit Committee approves the action plan developed by the statutory S151 Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 Recommendations, and notes the progress achieved to date.

2.2 That the Audit Committee note the Letter of Representation and minor amendments to the 2015/16 SoA, both signed under delegated powers by the Chair of Audit Committee and the statutory S151 Chief Finance Officer (CFO).

3. Issues and Choices

3.1 Report Background

3.1.1 The Audit Committee received the annual ISA260 External Auditor report from KPMG at the meeting on 5th September which included a number of recommendations for improvements, and initial responses from management.

3.1.2 Audit Committee requested from management that a regular report be brought to each subsequent audit committee detailing progress against the audit recommendations.

3.1.3 The final letter of representation (a draft copy of which was circulated by KPMG at the meeting on 5th September) was delegated to be signed by the Chair of Audit Committee and the statutory S151 CFO, along with any minor amendments to the 2015/16 SoA resulting from completion of the external audit.

3.2 Progress against external audit recommendations

3.2.1 Following the receipt of the ISA260 report, finance staff in liaison with relevant staff from other departments within LGSS and Northampton Borough Council have been developing a detailed action plan to ensure that all recommendations made would be prioritised accordingly and actioned in an appropriate time period. A summary of the action plan is attached at **Appendix 1**.

3.2.2 The action plan has focused on breaking down the issues raised by the ISA260 into a number of actions for each issue, each with an agreed action, indicative timescales for completion. It is proposed that this is shared regularly with the Council's Management Board to highlight progress and where further efforts maybe required.

3.3 The Letter of Representation 2015/16 Accounts

3.3.1 A draft Letter of Representation was circulated to Audit Committee by KPMG on 5th September with delegation for the final version to be signed by the Chair of Audit Committee and the statutory S151 CFO. The final signed version which included details of one non adjusted item relating to a non-material error regarding a technical area around derecognising the cost of component assets is attached as **Appendix 2**.

3.4 Minor amendments to SoA 2015/16

3.4.1 Following completion of the External Audit post 5th September there were a number of minor amendments made to the SoA 2015/16. These included correcting rounding errors and cross referencing between tables, as well as improvements to the narrative forward to include links to future capital plans and improved clarity around the officers' renumeration information. A summary of the changes is included at **Appendix 3**. The amended SoA 2015/16 were then resigned by the Chair of Audit Committee and the S151 CFO under delegated powers and can be found here: http://www.northampton.gov.uk/downloads/download/102/statement-of-accounts

3.5 Choices (Options)

3.5.1 The Committee can approve the ISA260 action plan and note progress against it, and note actions taken under delegated powers.

3.5.2 The Committee could request that following review, amendments are made to the action plan.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no direct financial implications arising from this report.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Management Board has been engaged in the production of the management action plan, and will be reviewing at regular intervals

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

5.1 The External Audit ISA260 report presented to Audit Committee on 5th September 2015.

Chris Randall, Strategic Finance Manager, LGSS, 0776 936 5372

Appendix 1

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Oustanding / Completed
The Authority should ensure that purchase orders should be raised for the purchasing of goods and services through the purchase order process (where appropriate), prior to the Authority committing itself to the purchase. Reports should be run on a regular basis to identify all non compliance and take appropriate follow up action	LGSS Strategic Finance Manager(s)	Finance will continue to train, liaise with and advise the necessary staff to ensure that retrospective orders continue to be reduced in future.	30th September 2016 and monthly thereafter	Finance business partners have been and continue to engage budget managers in providing information and challenging the numbers and level Reported monthly to management board. Month 6 monitoring shows the position is improving		Completed
7	LGSS Finance Business Partner Team	Roll out mandatory training for all appropriate staff involved in order processing and authorising	30th November 2016 and monthly thereafter for new starters	Draft presentation produced during October, finance staff to finalise during November and present to Management Board ahead of rolling out training		Outstanding
	LGSS Head of Business Systems	Explore system options to ensure accountability	30th November 2016	Finance business partner management team producing finance plan to identify potential system improvements		Outstanding
	LGSS Strategic Finance Manager(s)	Dashboard report to be shared at DMT meetings.	Period 6 monitoring budget monitoring meetings during October 2016	Rolled out as part of period 6 monitoring process		Completed
	LGSS Exchequer Manager	Communicate to all suppliers that the council requires purchase orders to be sent prior to goods / services being delivered	30th November 2016	Communication being drafted to suppliers		Outstanding
	LGSS Exchequer Manager	Establish and implement a policy and related procedures to deal with emergency expenditure	31st December 2016			Outstanding
The Authority should ensure that it undertakes a thorough assessment of both internal audit providers annual audit plans for 2015/16 to ensure that appropriate assurance and systems coverage is provided during 2015/16	LGSS Strategic Finance Manager	Regular Joint meetings with LGSS and NBC Internal Audit providers and Strategic Finance Manager to be held in advance of each Audit Committee	30th November 2016	First meeting held 8.09.16, and areas for review agreed. Follow up meeting between LGSS Internal Audit and Chief Finance Officer. Regular joint meetings to be scheduled		Outstanding
	LGSS Strategic Finance Manager	Arrange bi-annual meetings between NBC finance, all internal audit providers and NBC external auditors	30th November 2016			Outstanding
	LGSS Strategic Finance Manager	Review of Internal Audit Workplans to ensure that risks identifed by the 2015/16 External Auditors are appropriately considered / reviewed	30th November 2016	Initial joint meeting reviewed risks identified by External Auditors to discuss coverage within internal audit plans, amended IA plans still to be reviewed. Reports to next Internal Audit Committee on workplans following liaison		Outstanding

ISA260 Management Action Plan Progress Tracker

Appendix 1

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Strategic Finance Manager	All Internal Audit Providers to ensure regular attendance at Audit Committee to approve and monitor Audit Plans and issues	31st October 2016 and ongoing	Internal Audit providers advised of the requirement for regular monitoring reports for Audit Committee with reports on 14th November Committee		Completed
Timely leaver forms need to be completed and cascaded to the relevant departments, including to IT. User access to applications needs to be reviewed on a periodic basis. In addition, the departing employee's access rights should be revoked as part of the standard leaving procedures. This process should be co-ordinated between HR and IT.	LGSS Audit and Risk Manager (NBC)	IT – LGSS systems access these need reviewing by LGSS internal audit with in an depth review of the IBS and ICON systems in particular	31st January 2017	Workplan report by LGSS Internal Audit includes this, with the work timetabled for December / January		Outstanding
	LGSS Audit and Risk Manager (NBC)	Both LGSS internal audit and PwC internal audit to consider systems access in general, and advise NBC CFO on what they suggest is a priority for review / testing during 2016/17.	31st October 2016			Outstanding
	LGSS Business Systems Manager	IBS Housing System - the need for timely leaver forms to be completed and dustributed to relevant departments needs to be cascaded to departments	31st August 2016	This requirement has been cascaded to relevant areas by the officer undertaking system administration		Completed
	LGSS Exchequer Team Leader	ICON System - the ICON system administrator to ensure a regular review and disablement of users who have left roles requiring access to the ICON system	31st August 2016	A review of HR leavers information has been incorporated into the monthly processes of the LGSS exchequer manager responsible for ICON system administration		Completed
The Authority should put in place a systematic, robust, and objective process of assessing and documenting the due diligence procedures carried out on loan applicants. This process should be transparent and the due diligence process undertaken by qualified individuals. Any decision will need to be fully documented, including the reasoning and consideration of risks. The process should include a review by a senior officer and this should be evidenced.	NBC Chief Finance Officer	Internal review of all existing loans to assess against recommendations arising in ISA260	30th November 2016	Information collated. Review to take place.		Outstanding
	NBC Chief Finance Officer	Develop and implement a loans framework / checklist	31st December 2016	Working draft in process of being updated by finance staff. Will be informed by meetings with external experts in November		Outstanding

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	NBC Chief Finance Officer	Meet with external experts to review due diligence approach and checklist	30th November 2016	Meeting arranged with Barclays for 14th November. Meeting to be arranged during November with Treasury Management advisors. Approach to HM Treasury to understand central government approach		Outstanding
	NBC Chief Finance Officer	External validation of loans checklist	31st December 2016			Outstanding
	NBC Monitoring Officer	Review governance arrangements (decision making, project management, reporting, officer, member, cabinet/council)	TBC	Monitoring Officer in process of establishing action plan		Outstanding
9	NBC Monitoring Officer	Review risk management arrangements	TBC	Monitoring Officer in process of establishing action plan		Outstanding
The Authority should ensure that all key closedown staff receive and review the *Accounts Audit Protocol* prior to producing working papers for the audit. The overarching principle is working papers should provide a clear and concise audit trail from the financial statements through to sufficient and appropriate evidence within supporting working papers. Working papers need to: — Be clear, with explanations if needed. The working papers need to be written from the view point of someone external to the organisation; and Be supported by strong evidence, for example, third party documentation.	LGSS Strategic Finance Manager	NBC and KPMG post final accounts debrief and action planning meeting (also a joint debrief with LGSS integrated closedown team)	31st October 2016	Debrief sessions arranged between LGSS finance and KPMG for 19th and 21st October 2016		Completed
	LGSS Group Accountant (Integrated Closedown Team)	Implement any agreed actions resulting from debrief meeting	31st December 2016	KPMG have agreed to review working paper requirements following the debrief at the end of October to advise of any improvements / reductions that could be made in future		Outstanding
	LGSS Strategic Finance Manager	Establish and implement key performance requirements for proposed phase 2 integrated closedown team, between expanded LGSS integrated closedown team and NBC finance team	31st December 2016	Issue raised by CFO with LGSS Head of Integrated Finance and included on issues log. The integrated closedown team is in the transition period of being set up and as part of this are looking at key performance requirements		Outstanding
	LGSS Group Accountant (Integrated Closedown Team)	Review 'Prepared by Client' list requirements with KPMG and agree key quality standards prior to commencement of interim audit	TBC	Awaiting confirmation of audit timetable from KPMG		Outstanding

ISA260 Management Action Plan Progress Tracker

Appendix 1

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Group Accountant (Integrated Closedown Team)	Review internal LGSS quality control and assurance process for Statement of Account, WGA working papers by the finance team etc	31st December 2016	Issue raised by CFO with LGSS Head of Integrated Finance and included on issues log		Outstanding
The information requested, and provided by the valuer, should meet all the criteria within the Code and provide a clear and concise audit trail relating to the metholdogy and assumptions used in the valuation process. All evidence should be maintained and made available prior to the start of the audit. The Authority should ensure that it fully fulfils its responsibility to review, challenge and understand the information provided by the valuers as required by guidance.	NBC Head of Asset Management	Review and document the revaluation of council dwellings process to ensure they meet the requirements of the code.	31st March 2018	LGSS NBC Finance and Head of Asset Management in discussions about timeline. Regular meetings between Estates and Finance are taking place (see minutes in supporting evidence), whereby the valuation process and challenge are being documented. The lack of documentation re the year end impairment exercise was of particular concern to the auditors and this has been agreed to be documented following the same format as the final audit evidence for 2015/16. This can only be completed after the year end exercise has taken place.		Outstanding
	NBC Head of Asset Management	Ensure that Asset Management Team have appropriate capacity and knowledge to undertake valuation work to achieve the closedown timescales - Head of Asset Management	30th November 2016	The update meetings that have been held during October 2016 have confirmed that the timeframes for the valuations will be met, this needs to be regularly reviewed as currently there is a high number of interims within estates, and some of the work is being undertaken by third parties		Completed
	LGSS Group Accountant (Integrated Closedown Team)	Finance staff to review and challenge both revaluation work and process documentation	30th November 2016	Interim LGSS Group Accountant (NBC) is undertaking this during October and November prior to handover to LGSS Integrated Accounts Closure Team		Outstanding
The Authority needs to ensure that quality checks are undertaken on all key controls. This should be embedded within the the reconciliation process. The Authority should ensure all the issues above are dealt with and that full reconciliations are carried out across all appropriate systems and balances. All unreconciled balances should be identified and cleared, or written-off in a timely manner.	LGSS Payroll Manager	Review and monitor the payroll reconciliations process to ensure reconciliation items are identified and cleared within a timely period	30th September 2016, 31st October 2016 and ongoing	LGSS Business Systems have made a concerted effort since this was raised as part of the ISA260 and of the 99 unreconciled payroll items 37 have now been cleared and corrected. The ongoing reconciliations are now being undertaken monthly by the payroll team who have more complete knowledge to resolve unreconciled items, and make appropriate system corrections.		Outstanding

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Audit and Risk Manager (NBC)	A comprehensive risk assessed payroll systems audit needs to be undertaken by Internal Audit	31st January 2017	The LGSS Internal Audit plan now includes proposals for a payroll audit, including a review of actions on data quality		Completed
	PwC - NBC's Internal Auditors	A payroll review to be undertaken by NBC's Internal Auditors post the implementation of the new payroll service provider planned during 2016/17	31st March 2017	LGSS Finance have raised this action with PwC internal audit manager. Awaiting confirmation from internal audit as to inclusion in the audit plan		Outstanding
	LGSS Revenues Manager	Ensure that discrepancies between the properties included on the NDR and Valuation Officer reports are identified and corrected in a timely manner	30th September and on going	this is now being done on a regular basis by the LGSS Revenues manager.		Completed
	LGSS Audit and Risk Manager (NBC)	Internal Audit need to review and consider what Revenues system work is included within their Audit Plan for 2016/17 and present to the NBC S151 officer for sign-off	31st October 2016	LGSS Internal Audit have confirmed as part of their proposed audit work for 2016/17 to undertake high level control testing for the three revenues systems. Part of the audit report to the November Audit Committee		Completed
	LGSS Accountant (Housing)	Review and improve existing reconciliation process.	31st October 2016	LGSS Finance have reviewed the process, and will be incorporating an improvement to the year end working papers to ensure correct year end balances included		Outstanding
The Authority should ensure it strengthens its year end cut-off procedures and that controls are sufficiently-robust to ensure correct procedure is followed. The Authority may wish to consider the impact on raising its de minimis level to reduce the manual input required in this process. A review of cut-off is particularly important given the move to a shorter timetable for the accounts process from 2017/18, and the reduced time to produce the financial statements.	LGSS Group Accountant (Integrated Closedown Team)	Undertake a review of de-minimus level and if required amend closedown procedures/guidelines accordingly, communicate to NBC budget managers and liaise with external auditors	30th November 2016 (review), 31st December 2016 (refresh proceedures & liaise with external auditors) and 31st January 2017 (communicate to NBC budget managers with closedown guidance) timetable)	Discussions have been held with neighbouring authorities to establish levels they apply. Following this a comparison of these against the council's accounts will be undertaken prior to discussing with the external auditors		Outstanding
The Authority should review all information provided to the pensions authority on a monthly basis. This should be evidenced via sign-off by a senior individual.	LGSS Strategic Finance Manager	Ensure more a complete reconciliation is done which is then signed off by an appropriate senior manager	30th November 2016	Following discussions between LGSS Finance, Pensions and Payroll teams to establish action plan and review the issue, this requires further clarification with KPMG around initial findings		Outstanding

Appendix 1

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Oustanding / Completed
The Authority should investigate instances of data quality issues. In addition, the Authority should investigate all incidences of salary payments to staff after the end dates.	LGSS Payroll Manager	Review findings.	31st August 2016	Management have reviewed the findings and whilst there are no significant issues, processes have already been updated during 2015/16 to address issues around national insurance numbers		Completed
	LGSS Payroll Manager	Implement quarterly review of payroll data quality to ensure system information is maintained to an appropriate level of quality.	31st October and on going	Approach agreed. To be implemented for quarter ending 30 Sept 2016.		Outstanding
The Authority should continue to use its own historical data to inform and refine its estimate of its share of liability arising from successful appeals. Notwithstanding whether the Authority decides it should change its provision based on this information, sufficient and appropriate audit evidence should be maintained and provided to evidence the decision process undertaken, as well as management review and sign-off of the final position. The Authority should provide appropriate and sufficient narrative explanations with regards to why the Authority believes that the approach taken is the most appropriate or prudent, especially when there are valuation differences between methodologies.	LGSS Strategic Finance Manager	Ensure that a clear audit trail is maintained to evidence the methodology and approach undertaken to arrive at the appeals provision, and justify this in line with the code (this will form part of the working papers to produce the year end accounts)	30th April 2017			Outstanding
	LGSS Strategic Finance Manager	Engage external support to provide validation of the authority's methodology and approach in estimating its appeals provision	31st December 2016			Outstanding
	LGSS Strategic Finance Manager	Compare and contrast the approach to appeal provisions with other councils to inform best practice	31st December and ongoing	Initial discussions have taken place at the Northamptonshire Chief Finance Officer and Chief Accountant meetings. All agreed to share approaches. Sharing of approaches has also been undertaken between LGSS councils.		Outstanding

On track for delivery, substantial progress already made

On track for delivery, some progress made

Concerns on delivery

NORTHAMPTON
BOROUGH COUNCIL

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Our Ref:	
Your Ref:	
Contact:	Glenn Hammons
E-mail:	GHammons@northamptonshire.gov.uk
Date:	28th September 2016

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Northampton Borough Council ("the Authority"), for the year ended 31 March 2016, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These financial statements comprise the Authority's and Group's Movement in Reserves Statement, the Authority's and Group's Comprehensive Income and Expenditure Statement, the Authority's and Group's Balance Sheet, the Authority's and Group's Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;

   ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:

    - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - additional information that you have requested from the Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

    i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

    Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

    ii) The Authority has disclosed to you all information in relation to:

    a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
        - management;
        - employees who have significant roles in internal control; or
        - others where the fraud could have a material effect on the financial statements; and

    b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

    In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error. The Authority has disclosed to you all deficiencies in relation to controls which it is aware, in particular, controls in relation to payroll and loans.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and

transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

       have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

13. The Authority confirms that the valuation of fixed assets is in line with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the DCLG's Stock Valuation for Resource Accounting (January 2011), including:
    (a) the year end valuation of council dwellings is appropriate, including the selection of properties used in the review;
    (b) estimates in relation to the de-recognition and depreciation of council dwelling components; and
    (c) the valuation of surplus assets is not materially incorrect.

14. The Authority confirms that a list of all active loans in the financial year made by the Authority to external third parties, including 'soft loans', have been disclosed to you. No information on these loans have been withheld, including due diligence notes and findings, concerns and risks noted, and subsequent issues in relation to loan repayments by these third parties.

This letter was tabled and agreed at the meeting of the Audit Committee on *5th September 2016.*

Yours faithfully,

P. A Flavell.

Cllr Penny Flavell
Chair of Northampton Borough Council Audit Committee

Glenn Hammons
Chief Financial Officer Northampton Borough Council

cc: Audit Committee

Appendix 1 to the Authority Representation Letter of Northampton Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    vi. The entity is controlled, or jointly controlled by a person identified in (a).
    vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix 2 to the Authority Representation Letter of Northampton Borough Council: Uncorrected Audit Misstatements

List of uncorrected audit misstatements arising from the audit of the financial statements for the financial year ending 31 March 2016.

Account Type	Accounts	As Reported, Final Balances Debit/(Credit) £000	Uncorrected Audit Misstatement(s) Debit/(Credit) £000	If Corrected, Final Balances Debit/(Credit) £000
CIES	Profit/Loss on disposal of non-current assets	1,176	(274)	902
Balance Sheet	Usable reserves	(66,889)	274	(66,615)
Balance Sheet	Capital adjustment accounts	(285,695)	(274)	(285,969)
Balance Sheet	Plant, property and equipment	548,865	274	549,139

This issue will be incorporated as part of preparing the 2016/17 accounts.

Northampton Borough Council

Appendix 3

Summary of Changes to the Statement of Accounts 2015/16 since they were approved by Audit Committee on 5th September 2016

Page number	Area/ Note number	Description
70	17. Financial Instruments - Assets	Dates changed to table headings.
Various	Main statements and Notes cross-referencing	Correction of rounding errors and referencing between notes/tables following final casting check by finance staff and KPMG
136	Council Tax	Financial year table headings updated to 2014/15 and 2015/16
5, para 2	Narrative Statement	‘ The Statement of Accounts was approved by Audit Committee on 5th September 2016 and this amended version has been signed by the Chair of the Audit Committee and the Section 151 Chief Finance Officer, under powers delegated by the Audit Committee.’
13	Narrative Statement	Added to end of 6b 'A 5 year capital plan was approved by Cabinet in February 2016 and it may be accessed via the following hyperlink:
16	Narrative Statement	Approval by Audit Committee - the following words are added - 'and this amended version is signed by me under powers delegated by the Committee.
92	Note 36 Officers' Remuneration	S151 Officer - note updated with his salary - final sentence now says: '4. - The council's Chief Finance Officer is contracted from Northamptonshire County Council (NCC) and currently carries out their S151 duties on a part time basis working for Northampton Borough Council on average 3 days a week. £63k was paid to NCC for these services in 2015/16 (£64 2014/15) The Officer's remuneration has not been included in the above tables as they are fully remunerated by NCC and will be included in NCC's Statement of Accounts.
94	Note 37 External Audit Costs	Update of note to change the numbers from a payments to an accruals basis including prior year restatement.
1	Table of Contents	Update to heading of page 3 to correct spelling abbreviation.

Appendices :

1. **PSAA invitation to opt-in to National Scheme**

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	**External Auditor appointment – extension and future procurement**

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 November 2016
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

1.1 To advise Audit Committee of the extension to the current appointment of KPMG as External Auditors to the Council, and for Audit Committee to agree the process for appointing external auditors for the 2018/19 accounts onwards

2. Recommendations

2.1 Audit Committee are asked to recommend to the next council meeting that Northampton opt to join the national scheme for external auditor appointments for five financial years commencing 1st April 2018 being offered by Public Sector Audit Appointments (PSAA), and then for officers to formally respond by the deadline of 9th March 2017.

3. Issues and Choices

3.1 Report Background

3.1.1 The current appointment of KPMG as the council's external auditors up to and including the audit of the 2016/17 accounts was made by the Audit Commission who were disbanded in 2015. The Secretary of State for Communities and Local Government then delegated statutory functions on a transitional basis from the Audit Commission to PSAA. The Chief Finance Officer received notification from PSSA in September 2016 that the current contract with KPMG would be extended to include audit of the 2017/18 accounts.

3.1.2 This is an extension of the appointment made under section 3 of the Audit Commission Act for the audit of the accounts up to 2016/17, under the audit contracts previously let by the Audit Commission. The auditor appointment has been extended for one year as a consequence of the extension of the transitional arrangements made by the Department of Communities and Local Government. The appointment of KPMG LLP under the current audit contracts will conclude with the completion of the audit of the accounts for 2017/18.

3.1.3 The authority has benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission.

3.1.4 For the audit of the 2018/19 accounts onwards Local Authorities will be required to set up an 'Auditor Panel', or opt into any sector-led body that may be established as the appointing person under the Local Audit and Accountability Act and relevant regulations. The key areas that the auditor panel (or equivalent) is responsible for advising an authority on are as follows:

- the selection and appointment of the auditor
- whether the authority should adopt a policy on obtaining non-audit services from the auditor, including the contents of such a policy
- any proposal by the authority to enter into a liability limitation agreement
- maintaining an independent relationship with its auditor
- the outcome of any investigation of an auditor's resignation from office, if this occurs, or
- on any proposal to remove a local auditor from office

3.1.5 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria

3.1.6 The current fee audit fee structure was as a result of national contract negotiations by the Audit Commission, with audit firms prepared to offer substantial discounts to achieve greater market share and offered maximum economies of scale.

3.2 Choices (Options)

3.2.1 There are three broad options available:

3.2.2 Option 1 - To make a stand-alone appointment

3.2.3 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit.

3.2.4 Advantages/benefits

- Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

3.2.5 Disadvantages/risks

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15k plus on going expenses and allowances
- The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

3.2.6 Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements

3.2.7 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council will need to liaise with other local authorities to assess the appetite for such an arrangement.

3.2.8 Advantages/benefits

- The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

3.2.9 Disadvantages/risks

- The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

- The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

3.2.10 Option 3 - Opt-in to a sector led body

3.2.11 In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

3.2.12 *Advantages/benefits*

- The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities
- By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation
- Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- The appointment process would not be led by locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The current approved SLB is PSAA who will be utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

3.2.13 Disadvantages/risks

- Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

4. Conclusions and way forward

4.1 The Council have until December 2017 to make an external auditor appointment, and in order to achieve this deadline will need to have made a decision over which procurement route to follow by early 2017. This will allow the auditors to be in place for April 2018 so they can commence interim audit work during 2018/19.

4.2 The Local Government Association (LGA) have supported the development of the Sector Led Body – PSAA, which has now been approved to nationally procure public sector external audit contracts. The LGA is strongly supportive of this nationally procured approach as it believes this will offer best value to councils by reducing set-up costs and having the potential to negotiate the lowest fees. It will also have the resources to monitor the standard of audit contracts and ensure consistency.

4.3 The Council received a formal invitation from PSAA on 27th October to opt-in to the national scheme for auditor appointments. Details of the national scheme are included in Appendix 1. An estimated timetable was provided as follows:

• Invitation to opt in issued	27 October 2016
• Closing date for receipt of notices to opt in	09 March 2017
• Contract notice published	20 February 2017
• Award audit contracts	By end of June 2017
• Consult on and make auditor appointments	By end of December 2017
• Consult on and publish scale fees	By end of March 2018

4.4 Informal discussions with neighbouring Local Authority finance staff indicate that most are considering the benefits of a sector led approach by opting-in to the PSAA national scheme. However they would like to work with the PSAA to try and secure a common external auditor where possible to enable a consistent audit approach across the area.

5. Implications (including financial implications)

5.1 Policy

5.1.1 There are no policy implications arising from this report.

5.2 Resources and Risk

5.2.1 There is no immediate risk to the authority, although at this stage it is not possible to estimate whether the cost of external audit provision will remain at the current reduced levels even if the council opts to be part of the national scheme.

5.2.2 If options 1 or 2 above are selected as the preferred route, then the cost and time resource of establishing a local or joint Auditor Panel will need to be estimated and included in future Council budgets. This would include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances

5.2.3 It is likely that inclusion in the national scheme being offered by PSAA will provide the greatest chance of obtaining competitive fee rates and would remove the costs of establishing an auditor panel.

5.3 Legal

5.3.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

5.3.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

5.3.3 Section 17 gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

5.4 Equality

5.4.1 There are no equality implications arising from this report.

5.5 Consultees (Internal and External)

5.5.1 Finance staff have consulted with other finance staff in neighbouring Local Authorities, and the Council’s own Chief Executive and Monitoring Officer.

5.6 Other Implications

5.6.1 There are no other implications arising from this report.

5. Background Papers

5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) – Dec 2015 Guide to Auditor Panels

5.2 Local Government Association website – External Audit support page

5.3 Local Audit and Accountability Act 2014 (the Act) and also the Local Audit (Auditor Panel) Regulations 2014 (the Auditor Panel Regulations)

Chris Randall, Strategic Finance Manager, LGSS, 0776 936 5372

Public Sector
Audit Appointments

27 October 2016

Email: appointingperson@psaa.co.uk

David Kennedy
Northampton Borough Council
The Guildhall
St. Giles Square
Northampton NN1 1DE

Copied to: Glenn Hammons, Chief Financial Officer and S151 Officer, Northampton Borough Council
Francis Fernandes, Monitoring Officer, Northampton Borough Council

Dear Mr Kennedy

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the appointing person page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely

Jon Hayes, Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the appointing person page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

• Invitation to opt in issued	27 October 2016
• Closing date for receipt of notices to opt in	9 March 2017
• Contract notice published	20 February 2017
• Award audit contracts	By end of June 2017
• Consult on and make auditor appointments	By end of December 2017
• Consult on and publish scale fees	By end of March 2018

Enquiries

We publish frequently asked questions on our website. We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

Appendices
1

Item No.
[Item number and title as on agenda]

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2015-16

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 November 2016
Policy Document:	No
Directorate:	LGSS
Accountable Cabinet Member:	Mike Hallam

1. Purpose

1.1 To put the Treasury Management Outturn Report for 2015-16 before the Audit Committee for scrutiny.

2. Recommendations

2.1 That the Audit Committee reviews the Treasury Management Outturn Report for 2015 -16 and makes comments or recommendations as appropriate.

3. Issues and Choices

3.1 Report Background

3.1.1 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

3.2 Issues

Treasury Management Outturn Report 2015-16

3.2.1 The Council's Treasury Management Outturn Report for 2015 -16 is attached at Appendix 1. This report was presented at Cabinet on 7 September 2015 and Council on 7 November 2015.

3.2.2 Audit Committee are asked to review the report and to make comments or recommendations as they think appropriate.

3.3 Choices (Options)

3.3.1 Audit Committee have the option to comment on the areas considered in the report and to make recommendations to Officers and to Cabinet and Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 See attached Cabinet report.

4.2 Resources and Risk

4.2.1 See attached Cabinet report.

4.3 Legal

4.3.1 See attached Cabinet report.

4.4 Equality

4.4.1 See attached Cabinet report.

4.5 Consultees (Internal and External)

4.5.1 See attached Cabinet report.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 See attached Cabinet report.

4.7 Other Implications

4.7.1 No other implications have been identified

5. Background Papers

5.1 None

Report Author: **Mike Batty, Group Accountant (Treasury) – LGSS**
Tel: 01604 367858

Appendix 1

Appendices
3

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2015-16

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	7 September 2016
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	LGSS
Accountable Cabinet Member:	Brandon Eldred
Ward(s)	Not Applicable

1. Purpose

1.1 To inform Cabinet of the Council's performance in relation to its borrowing and investment strategy for 2015-16, and provide an update of the same in respect of the first quarter of 2016-17.

2. Recommendations

2.1 That Cabinet recommend to Council that they note the Council's treasury management performance for 2015-16 (outturn), and treasury management data for quarter 1 of 2016-17.

3. Issues and Choices

3.1 Report Background

CIPFA Code of Practice on Treasury Management in the Public Services

3.1.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (“the Treasury Management Code of Practice”).

3.2 Issues

Summary of Key Headlines

3.2.1 The main headlines for the period are as follows:

- The Council continued to make use of internal borrowing to fund its capital expenditure programme, generating savings in the revenue budget. This benefits the Council’s revenue budget position as the costs of external borrowing are avoided, at least until such time as the Council’s cash position or interest rate conditions change and there are drivers to go to the external market. See paragraph 3.2.16 to 3.2.21

- Loans to the value of £46m were made to the University of Northampton in March 2016 to facilitate the construction of a new waterside campus. The loans were funded by PWLB borrowing of £46m at a special ‘project rate’ applied for by SEMLEP. See paragraphs 3.2.9 and 3.2.46

- In house investment returns received on cash balances compared favourably to the benchmarks. A return of 0.77% was achieved compared to the average 7 day LIBID benchmark of 0.36%. In respect of local authority benchmarks the NBC performance has been above the comparator group averages throughout the year. See paragraphs 3.2.27 to 3.2.34.

- The debt financing budget outturn was £624k under budget. This saving arose from a number of factors, including internal funding of borrowing requirements, higher cash balances and investment rates than budgeted and reduced Minimum Revenue Provision (MRP) requirements on borrowing to fund prior years’ capital programme expenditure. See paragraphs 3.2.47 to 3.2.48

- The Council has operated throughout the year within the Treasury and Prudential Indicators set out in the Council’s Treasury Management Strategy Statement (TMSS) and in compliance with the Council's Treasury Management Practices. See paragraphs 3.2.49 to 3.2.51

- The borrowing position at the end of quarter 1 2016-17 has reduced by £225k due loan repayments and capitalisation of interest on government borrowing, and movements in temporary borrowing. See paragraph 3.2.22

- Investment balances during quarter 1 2016-17 averaged £73m, with a weighted average rate of interest of 0.84%. See paragraph 3.2.35 to 3.2.37

The Economic Environment

3.2.2 A detailed commentary for the quarter ending 30 June 2016 is provided in **Appendix 1** to advise Members of the latest economic position. This information has been provided by Capita Asset Services – Treasury Solutions (CAS Treasury Solutions), the Council's treasury management advisors.

3.2.3 The key UK economic messages are as follows:

- The growth rate in 2015 and the first quarter of 2016 was disappointing compared with the two previous years;
- The Governor of the Bank of England, Mark Carney, has warned that the vote for Brexit is anticipated to cause a slowing in growth, and the Monetary Policy Committee (MPC), are likely to cut the bank rate and would consider doing further quantitative easing purchasing of gilts in order to support growth;
- Sterling has fallen against the Euro by 14% from its peak in November 2015;
- The government target of achieving a UK budget surplus by 2020 has been eased;
- The May Bank of England Inflation Report forecasts inflation barely getting back up to the 2% target within the 2-3 year time horizon. However beyond that period there is likely to be an acceleration in the pace of increase in inflation

Risk implications of decisions taken and transactions executed

3.2.4 The Treasury Management Code of Practice identifies eight main treasury management risks. Definitions of these are included in the Council's Treasury Management Practices (TMPs) for 2015-16. The management of these risks during 2015-16 is covered in the following paragraphs.

a) Credit and counterparty risk – This continued to be an area of considerable risk for all local authority investors, given the prevailing uncertain economic and banking environment. The Council managed this risk extremely closely during the year through strict adherence to its treasury management policies and practices and a tightly controlled counterparty list that took into account a range of relevant factors including sovereign rating, credit ratings, inclusion in the UK banking system support package and credit default swap spreads. The advice of the Council's treasury management advisors was also an underlying feature. None of the Council's counterparties failed to meet the contractual obligations of their treasury transactions with the Council during 2015-16.

b) Liquidity risk – This was managed effectively during 2015-16 through pro-active management of the Council's cashflow, including the choice of suitable investment values and maturity dates and the maintenance of sufficient levels of liquid cash in money market funds and deposit accounts. The Council also maintained access to temporary borrowing facilities, and overnight loans from Northamptonshire County Council (NCC) were arranged on three occasions in the final quarter of the year to meet the Council's liquidity requirements.

c) Interest rate risk - The Council's upper limits for fixed and variable interest rate exposures in respect of investments, borrowing and net external debt are managed as treasury indicators. These are reported at **Appendix 2**. The indicators were not breached during 2015-16.

d) Exchange rate risk - The Council has a policy of only entering into loans and investments that are settled in £ sterling, and has no treasury management exposure to this category of risk.

e) Refinancing risk – The Council did not refinance any of its debt during 2015-16 and was therefore not exposed to this category of risk during the year.

f) Legal and regulatory risk - The Council carried out its treasury management activities for 2015-16 within the current legal and regulatory framework. LGSS officers responsible for strategic and operational treasury management decisions are required to keep abreast of new legislation and regulations impacting on the treasury management function, and have applied any changes as necessary. Legal and regulatory risks associated with other organisations with which the Council deals in its treasury management activities have been managed through counterparty risk management policies.

g) Fraud, error and corruption and contingency management – LGSS officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council. All treasury activities must be carried out in strict accordance with the agreed systems and procedures in order to prevent opportunities for fraud, error and corruption. The measures in place to ensure this include a scheme of delegation and segregation of duties, internal audit of the treasury function, detailed procedure notes for dealing and other treasury functions, and emergency and contingency planning arrangements (including a business continuity plan for treasury management).

h) Market risk – Investments that may be subject to fluctuations in market value in some circumstances include certificates of deposit, gilts, bonds and money market funds.

   The Council has deposits placed in money market funds whereby the underlying assets of the fund are subject to capital fluctuations as a result of interest rate risk and credit risk. However the structure of the AAA rated funds minimises the movement of capital value due to the restrictions laid down by the credit rating agencies. The Council did not experience any fluctuations in the capital value of its money market funds in 2015-16.

   The Council purchased Certificates of Deposit (CDs) in 2015-16. In the main these were held to maturity and were not therefore subject to movement in capital value. Three CDs were sold prior to maturity and a capital gain was realised.

The Council did not invest in gilts or bonds during 2015-16.

Summary Portfolio Position

3.2.5 A snapshot of the Council's debt and investment position is shown in the table below:

	Actual as at 31 March 2015		TMSS 2015-16 31 March 16 Forecast (as agreed by Council Feb 2015)		Actual at 31 March 2016		Actual at 30 June 2016	
	£m	Rate %	£m	Rate %	£m	Rate %	£m	Rate %
Borrowing								
HRA	193.0	3.29%	193.0	3.29%	193.0	3.29%	193.0	3.29%
GF	15.1	3.22%	20.7	3.51%	23.2	2.94%	23.0	2.72%
GF - Third Party Loans	15.5	3.14%	15.3	3.13%	51.1	2.16%	51.1	2.16%
Total Borrowing	**223.6**	**3.28%**	**229.0**	**3.30%**	**267.3**	**3.04%**	**267.1**	**3.05%**
Investments	**64.3**	**0.73%**	**27.0**	**0.70%**	**65.9**	**0.90%**	**69.2**	**0.84%**
Total Net Debt / Borrowing	**159.3**		**202.0**		**201.4**		**197.8**	
Third party loans	**16.9**		**15.30**		**52.38**	**2.28%**	**52.29**	**2.28%**

Note – TMSS 2015-16 Third Party Loan figures exclude the loan to the University of Northampton, which at the time was planned but not budgeted (net nil budgetary effect)

3.2.6 Further analysis of borrowing and investments is covered in the following two sections.

Borrowing

3.2.7 The Council can take out loans in order to fund spending for its capital programme for the benefit of Northampton. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement (CFR), forecast reserves and current and projected economic conditions.

New loans and repayment of loans:

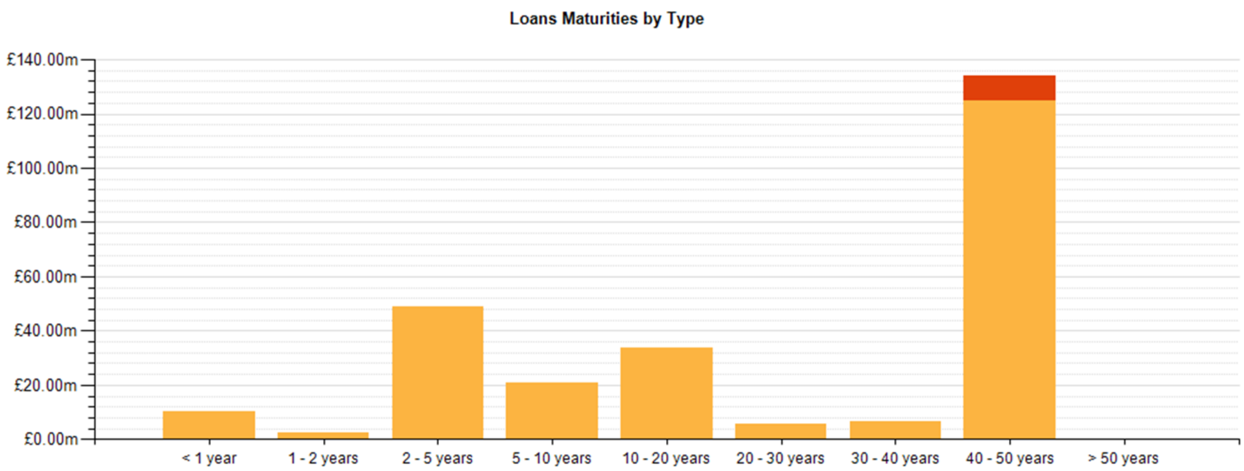
3.2.8 The table below shows the details of new long term loans raised and loans repaid during 2015-16. All borrowing movements shown relate to the General Fund.

Lender	Loan Type	Start Date	Maturity Date	£m	Interest Rate %	Duration (yrs)	Comments
Raised							
Public Works Loan Board	Maturity	10/03/2016	20/03/2021	28.50	1.38	5	To fund third party loan
Public Works Loan Board	Annuity	10/03/2016	10/03/2056	17.50	3.82	40	To fund third party loan
Repaid							
Public Works Loan Board	Maturity	12/01/2010	12/01/2016	2.02	3.47	6	Repayment on maturity
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	Repayment of annual EIP amount re borrowing to fund third party loan
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.07	3.97	25	
Public Works Loan Board	Annuity	22/07/2014	22/07/2039	0.04	3.82	25	Repayment of annual annuity amount
Homes & Communities Agency	Annuity	01/04/1985	01/10/2033	0.02	9.25	49	

3.2.9 Loans totalling £46m were raised in 2015-16 and relate to PWLB borrowing at the project rate to fund loans to the University of Northampton to support the creation of a waterside campus. Loans repaid include a £2m PWLB maturity loan in January 2016, and annual amounts on EIP and annuity loans.

Profile of borrowing:

3.2.10 The following graph and table show the maturity profile of the Council's loans, including borrowing to fund loans to third parties.



Year Ended	Fixed	LOBO Vanilla	Total
< 1 year	£10.088m		£10.088m
1 - 2 years	£2.496m		£2.496m
2 - 5 years	£49.039m		£49.039m
5 - 10 years	£20.753m		£20.753m
10 - 20 years	£33.513m		£33.513m
20 - 30 years	£5.715m		£5.715m
30 - 40 years	£6.416m		£6.416m
40 - 50 years	£125.000m	£9.000m	£134.000m
> 50 years			£0.000m
Grand Total	£253.020m	£9.000m	£262.020m

3.2.11 The graph is dominated by maturities in the 40-50 year period, made up of a 50 year loan of £125m taken out in March 2012 as part of the HRA self-financing and a LOBO loan of £9m assigned to the HRA (represented in red on the graph) maturing in 2066.

3.2.12 The presentation differs from that in the treasury indicator for maturity structure of borrowing at Appendix 2 in that:

a) The graph above includes borrowing to fund loans to third parties; and
b) The Council's remaining LOBO loan is included at final maturity rather than the next call date. In the current low interest rate environment the likelihood of the interest rates on this loan being raised and the loan requiring repayment at the break period is extremely low;

3.2.13 All the Council's borrowing is at a fixed interest rate which limits the Council's exposure to interest rate fluctuations.

Loan restructuring

3.2.14 When market conditions are favourable long term loans can be restructured to:

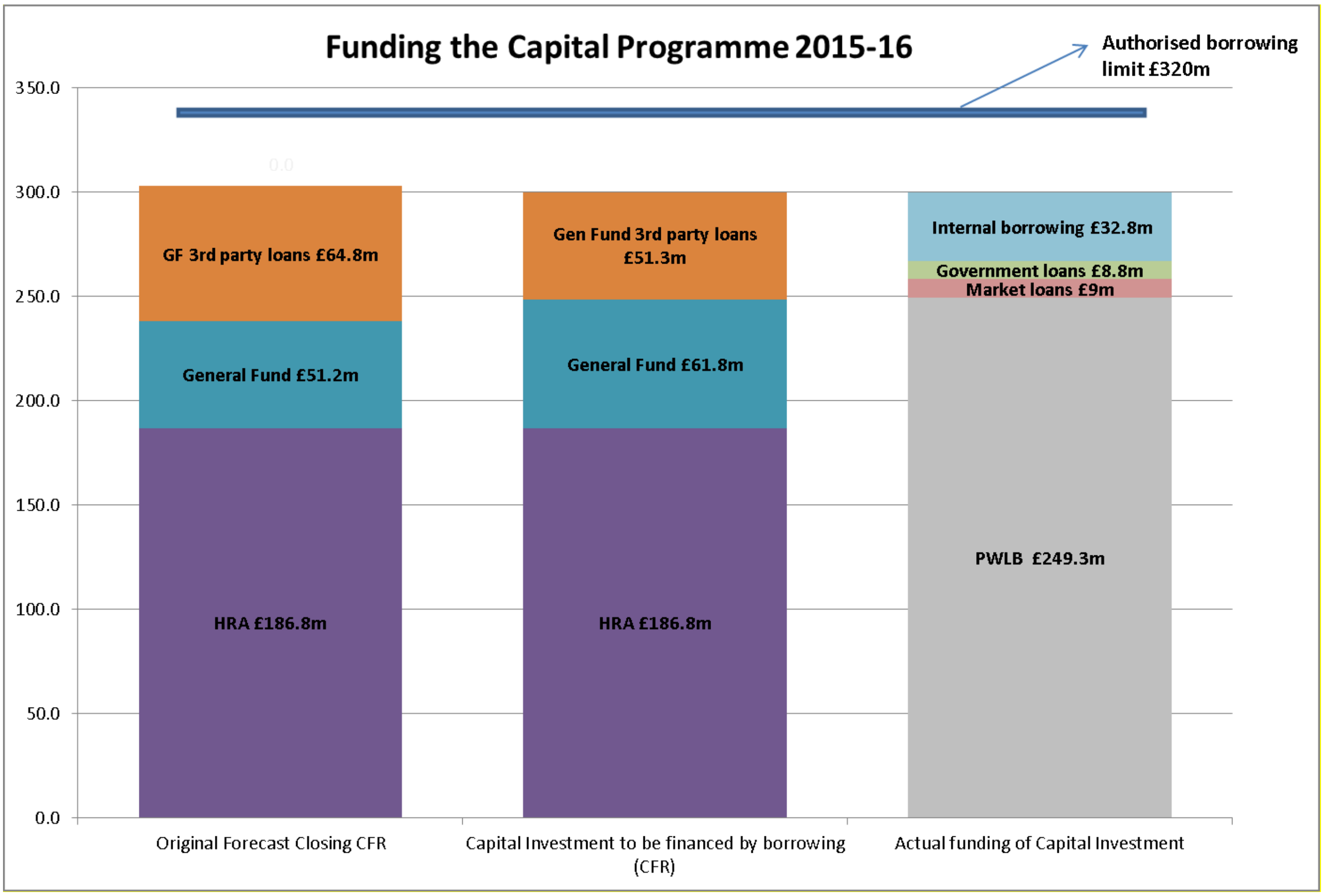
- generate cash savings,
- reduce the average interest rate,
- enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility. (Volatility is determined by the fixed/variable interest rate mix.)

3.2.15 During 2015-16 there were no opportunities for the Council to restructure its borrowing due to the position of the Council's debt portfolio compared to market conditions. Further debt rescheduling will be considered subject to conditions being favourable but it is unlikely that opportunities will present themselves in the near future. The position will be kept under review, and when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

Funding the Capital Programme

3.2.16 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the next year. It identifies where the authority expects to be in terms of borrowing and investment levels. When the 2015-16 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR), the Council's liability for financing the agreed Capital Programme (including loans to third parties), would be £256.2m. This figure is naturally subject to change as a result of changes to the approved capital programme and carry forwards that might occur.

3.2.17 The graph below compares the maximum the Council could borrow in 2015-16 with the forecast CFR at 31 March 2016 and the actual position of how this was financed as at 31 March 2016.



3.2.18 The graph shows the Council's estimated CFR at budget build and actual CFR at year end split between HRA, General Fund and GF borrowing to fund loans to third parties.

3.2.19 Council's current capital investment financed via borrowing as at 31 March 2016 was £20.1m below the Authorised Borrowing Limit set for by Council at the start of the year.

3.2.20 The Council continued to make use of internal borrowing to fund its capital expenditure programme, generating savings in the revenue budget. Internal borrowing is the use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally. This benefits the Council's revenue budget position as the costs of external borrowing are avoided, at least until such time as the Council's cash position or interest rate conditions change and there are drivers to go to the external market.

3.2.21 The graph shows how the Council is currently financing its borrowing requirement. As at 31 March the Council was using £32.8m of internal borrowing to finance capital investment. The strategy of internally borrowing, by carefully managing the Councils balance sheet, is currently the most appropriate strategy which enables savings to be generated and reduces the level of cash invested and credit risk associated with investing.

Quarter 1 2016-17

3.2.22 The borrowing position at the end of quarter 1 2016-17 has reduced by £225k. Movements in the period include loan repayments on Growing Places Fund loans, capitalisation of interest on Local Infrastructure Fund loans and movements in balances deposited with NBC by local organisations under long standing arrangements.

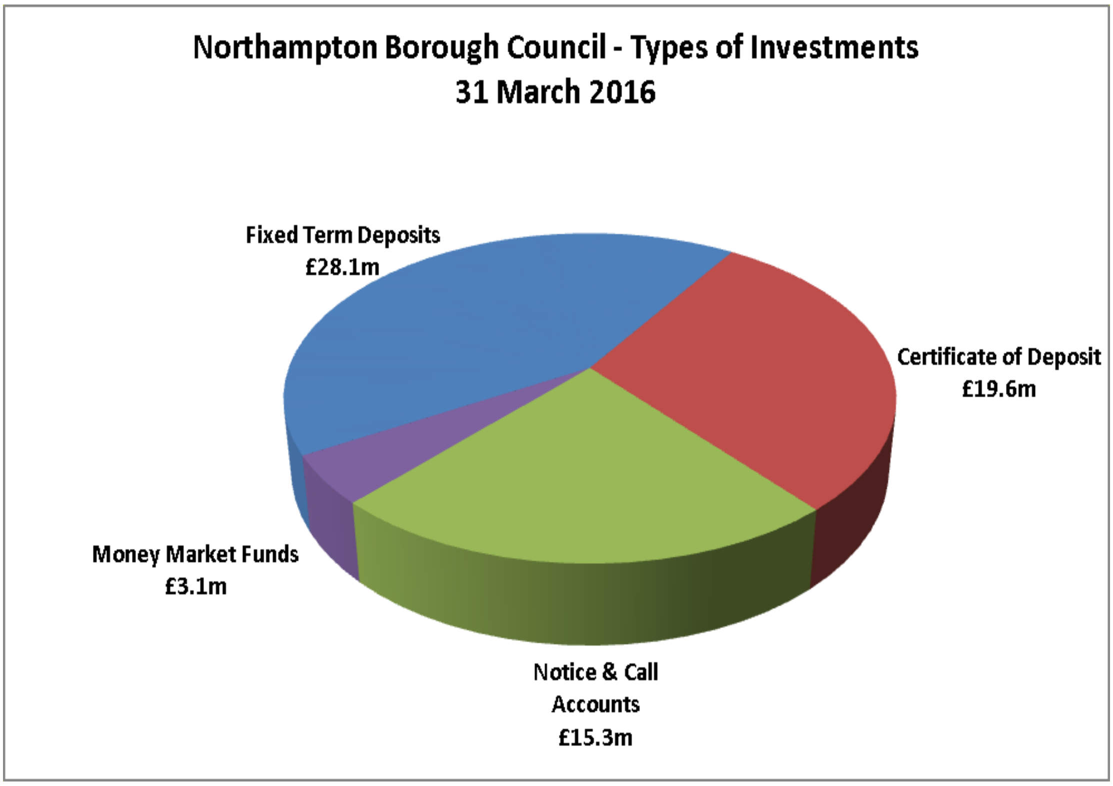
Investments

3.2.23 Investment activity is carried out within the Council's counterparty policies and criteria, and with a clear strategy of risk management in line with the Council's treasury strategy for 2015-16. This ensures that the principle of considering security, liquidity and yield, in that order (SLY), is consistently applied. The Council will therefore aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to Cabinet and Council

3.2.24 The strategy currently employed by the Council of internal borrowing also has the effect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.

3.2.25 The Council's investment portfolio as at 31 March 2016 is attached at **Appendix 3**. As at 31 March the level of investment totalled £65.9m. This excludes loans to third parties, which are classed as long term debtors. The level of cash available for investment is as a result of reserves, balances and working capital the Council holds. These funds can be invested in money market deposits, placed in funds or used to reduce external borrowings.

3.2.26 A breakdown of investments as at 31 March by type is shown in the graph below. The majority of investments are fixed term deposits with banks for periods up to one year. Investments are made within the boundaries of the Investment Strategy and credit worthiness criteria. The weighted average time to maturity is 131 days.



Investment Performance

3.2.27 The Council's average rate of return on investments in 2015-16 was 0.77%. Performance above the 7 day LIBID (London Interbank Bid Rate) of 0.36% averaged 0.41% against a target of 0.29%. The average differential to 7 day LIBID represents an uplift of £4,100 per £1m invested.

3.2.28 The ability to meet the 7 day LIBID performance target is reliant on the market providing financial products with suitable rates that also comply with the risk requirements set out within the Council's Treasury Management Strategy.

3.2.29 The Council has benchmarked its investment performance against other local authorities, using the Capita Investment Benchmarking Forum, which provides quarterly benchmarking data on investment returns, on a snapshot basis. The following table sets out the Council's performance compared with other local authorities during 2015-16 using this indicator.

Average Investment Returns 2015-16				
Benchmarking Forum Classification	**30 June 2015**	**30 Sept 2015**	**31 Dec 2015**	**31 March 2016**
Northampton Borough Council	0.75%	0.75%	0.84%	0.90%
Benchmarking Group	0.68%	0.65%	0.71%	0.69%
Non Metropolitan Districts	0.68%	0.68%	0.69%	0.74%
Whole population	0.69%	0.68%	0.70%	0.74%

3.2.30 The circumstances and risk appetite of individual local authorities will be reflected in their returns. For example some local authorities will invest in non-rated building societies and consequently have access to higher rates, but with an increased level of risk; others will limit their investments to the least risky counterparties and investment types such as the DMO and/or government gilts, but with a commensurate reduction in returns. The aim is to optimise returns within the parameters of the Council's Treasury Strategy, which reflects its assessment of risk.

3.2.31 The NBC performance has been above all the comparator group averages throughout the year.

3.2.32 Data produced by CAS shows that, for the value of risk undertaken, the returns generated are above the Model Band. Using credit ratings, the investment portfolio's historic risk of default at 31 March stood at 0.022%. This provides a calculation of the possibility of average default against the historical default rates.

3.2.33 Money market funds have been used for liquidity requirements, and core cash has been locked out for periods of up to one year in fixed term investments, including certificates of deposit, at higher rates of interest. The Council has also made use of notice accounts (up to 180 days) offered by Santander at competitive rates.

3.2.34 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment introduces liquidity risk, the risk that funds can't be accessed when required, and interest rate risk, the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the LGSS Treasury team together with the Council's Treasury Advisors (CAS).

3.2.35 To ensure the Council is maximising the current opportunities contained in the Treasury Management Strategy it will continue to work with its external treasury management advisers to review the position, and if opportunities exist outside of the existing strategy, it will propose these to senior management and members for consideration.

Quarter 1 2016-17

3.2.36 Investment balances in quarter 1 of 2016-17 averaged £73m, with a weighted average rate of interest of 0.84%. Performance above the 7 day LIBID (London Interbank Bid Rate) of 0.36% averaged 0.48% against a target of 0.29%.

3.2.37 Following the Brexit vote, investment rates are falling and the MPC has cut the bank rate to 0.25%. It is too early to fully assess the Council's likely performance against benchmarks going forward following these changes in the interest rate environment. However the expectation is that the LIBID rate will drop and that the Council's investment performance will also gradually move downwards as existing fixed term investments fall out and are replaced by new investments at lower rates. The gap between the average monthly investment performance compared to 7 day LIBID is expected to reduce as 2016-17 proceeds, with the greatest impact being seen in 2017-18.

3.2.38 At 30 June 2016 the Council's performance continues to compare well with other councils, with a portfolio weighted average rate of return of 0.84%, compared to 0.72% for the benchmarking population average (227 authorities).

Outlook

3.2.39 The Council's treasury advisor, Capita Asset Services, has provided the following forecast of interest rates:

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	1.00%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.30%
10yr PWLB rate	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.80%	1.90%
25yr PWLB rate	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%
50yr PWLB rate	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%

3.2.40 Capita Asset Services undertook a quarterly review of its interest rate forecasts on 4 July 2016 after letting markets settle down somewhat after the Brexit result of the referendum on 23 June. It is generally agreed that this outcome will result in a slowing in growth in the second half of 2016 at a time when the Bank of England has only limited ammunition in its armoury to promote growth by using monetary policy. Capita therefore expect that Bank Rate will be cut by 0.25%, probably at the 14 July MPC meeting but possibly at its quarterly Inflation Report meeting on 4 August when it has a greater opportunity to report in depth on its research and findings. Bank Rate could even be cut to 0% or 0.10% over this period. Thereafter, Capita do not expect the MPC to take any further action on Bank Rate in 2016 or 2017 as they expect the pace of recovery of growth to be weak during a period of great uncertainty as to the final agreement between the UK and the EU on arrangements after Brexit. However, the MPC may also consider renewing a programme of quantitative easing; the prospect of further purchases of gilts in this way has already resulted in 10 year gilt yields falling below 1% for the first time ever. Capita do not expect Bank Rate to start rising until quarter 2 2018 and for further increases then to be at a slower pace than before. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and for some consumers, who have had no increases in pay, could be non-existent (other than through some falls in prices).

3.2.41 From a strategic perspective, the Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances and undertaking shorter term borrowing which could potentially generate savings subject to an assessment of the interest rate risks involved. Cash flows this year have been sufficiently robust for the Council to use its balance sheet strength and avoid taking on new borrowing.

Third Party Loans

3.2.42 The Council has made a number of loans to third parties, and details are set out in the following paragraphs

3.2.43 Cosworth - A loan of £1.4m was made to Cosworth in 2014-15 to fund the acquisition of machinery at their new factory in the Enterprise Zone. Repayments of principal are on an EIP basis, with the final payment due on 1 January 2019.

3.2.44 Northampton Town Football Club – Loans were made to Northampton Town Football Club during 2013-14 and 2014-15 to improve stadium facilities at Sixfields (£9m) and to develop a hotel at Sixfields (£1.25m). These were funded by PWLB borrowing. However, following failure by NTFC to pay due payments on the loan interest between May and September 2015, NBC made the decision to protect the public purse and exercised its rights under the loan agreement requiring immediate repayment of the remaining £10.22m of loans in totality (consisting of the original loan of £10.25m less repayments that had been made). When this did not materialise, the Council took action to formally cancel the loan agreements. In November 2015, new owners purchased NTFC. In order for NBC to recover the full £10.22m from the previous owners, the Council agreed to assign the £10.22m loan debt from NTFC back to NBC. The loan has been fully impaired in NBC’s accounts for 2015-16.

3.2.45 Northampton Town Rugby Football Club – Loans totalling £5.5m were made to the Rugby Club during 2013-14. The loan arrangements are in the form of 25 year EIP loans. Funding for the loans was through PWLB borrowing.

3.2.46 Unity Leisure – A 5 year loan of £300k was made to Northampton Leisure Trust on 10 July 2015 to facilitate the purchase a soft play facility in Northampton. Repayments of principal are on an EIP basis.

3.2.47 University of Northampton –The Council worked with the South East Midlands Local Enterprise Partnership (SEMLEP) to secure the LEP project rate from PWLB for a loan facility of £46 million to support the creation of a waterside campus. The loan, which is guaranteed by HM Treasury, was drawn down by the UoN in two tranches on 10 March 2016, comprising a £28.5m 5 year maturity loan and a £17.5m 40 year annuity loan. Northamptonshire County Council, working with the Northamptonshire Enterprise Partnership (NEP) have provided a further £14m of loan funding for the same project.

Debt Financing Budget

3.2.48 The table below shows the budget, outturn and variance for the Council's General Fund debt and investment portfolio in 2015-16. This demonstrates the revenue (current) effects of the treasury transactions executed.

	Budget	Outturn	Variance
	£000	£000	£000
Interest payable	1,225	1,032	(193)
Interest receivable	(709)	(1,155)	(446)
Soft Loan Accounting Adjustments	925	925	0
MRP	1,468	1,262	(206)
Recharges from/(to) HRA – interest on balances	102	323	221
Total	**3,011**	**2,387**	**(624)**

3.2.49 The main reasons for the variances were as follows:

- Interest payable – budgeted new and replacement borrowing was funded internally from cash balances creating a saving.
- Interest receivable – cash balances and interest rates were both higher than budgeted.
- Third party loans – Included in the interest payable and receivable variances are loss of interest receivable from the cancellation of the NTFC loan agreement and additional unbudgeted net interest receipts on third party loans after allowing for PWLB borrowing costs.
- MRP – there was a lower level of funding by borrowing in 2014-15 than budgeted due to carry forwards in the capital programme. This was partially offset by budget adjustments relating to self-funded borrowing. Further savings arose from the refinancing of previous years capital expenditure, with borrowing repaid on short life assets
- HRA recharges - cash balances and interest rates achieved were both higher than budgeted.

Compliance with Treasury Limits and Prudential Indicators

3.2.50 With effect from 1st April 2004 The Prudential Code became statute as part of the Local Government Act 2003 and was revised in 2011.

3.2.51 The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

3.2.52 During the financial year 2015-16 the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management

Strategy Statement (TMSS) and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in **Appendix 2**.

Bank Contract

3.2.53 The Council has tendered for a new bank contract with effect from 1 October 2016. The contract was awarded to Barclays Bank and work is underway to deliver the work required to change to the new provider. There will be a transitional period of dual running with both HSBC and Barclays until all transactions are moved to the new accounts, but this will be kept to a minimum

3.3 Choices (Options)

3.3.1 This report is provided for information only.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree a number of policy and strategy documents. These policy documents are reported to Cabinet and Council as part of the budget setting process. The Council's Treasury Strategy for 2015-16 was approved by Council on 23 February 2015.

4.1.2 This report complies with the requirement to submit an annual treasury management review report to Council.

4.3.2 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

4.2 Resources and Risk

4.2.1 The resources required for the Council's debt management and debt financing budgets are agreed annually through the Council's budget setting process. The debt financing budget outturn position is shown at paragraphs 3.2.47 to 3.2.48.

4.2.2 The risk management of the treasury function is specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually. Treasury risk management forms an integral part of day-to-day treasury activities.

4.2.3 The risk implications of decisions taken and transactions executed during 2014-15 financial year are discussed in the body of the report at paragraph 3.2.4.

4.3 Legal

4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance.

4.4 Equality and Health

4.4.1 An Equalities Impact Assessment was carried out on the Council's Treasury Strategy for 2015-16, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs. The EIA assessment is that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified

4.5 Consultees (Internal and External)

4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisors, Capita Asset Services, and with the Portfolio holder for Finance.

4.5.2 Under the regulatory requirements, the Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council. This report will be presented to Audit Committee at their meeting of 14 November 2016.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("the Treasury Management Code of Practice").

4.6.2 Under the umbrella of the Treasury Management Code of Practice, the Council's Treasury Management Policy Statement "…acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management."

4.6.3 This supports the Council's priority of **Working Hard and Spending your Money Wisely**.

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4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

None

Glenn Hammons, Chief Finance Officer 0300 330 7000

Appendix 1

Economic Update (provided by CAS Treasury Solutions)

Quarter Ended 30th June 2016

1. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8% so this shows that growth had slowed down, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back again to +0.4% (2.0% y/y) in quarter 1 of 2016. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen against the Euro by 14% which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK. In addition, the Chancellor has announced that the target of achieving a budget surplus in 2020 will have to be eased in order to help the economy recover from the expected slowing of growth during the second half of 2016.
2. The Bank of England May Inflation Report included a forecast for growth for 2016 of 2.0% and 2.3% for 2017 on the assumption that the referendum result was a vote to remain. The Governor of the Bank of England, Mark Carney, warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. In his 30 June and 1 July speeches, Carney indicated that the Monetary Policy Committee (MPC), would be likely to cut Bank Rate and would consider doing further quantitative easing purchasing of gilts, in order to support growth. However, he did also warn that the Bank cannot do all the heavy lifting and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation).
3. The May Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, the falls in the price of oil and food twelve months ago will be falling out of the calculation of CPI during 2016 and in addition, the recent 10% fall in the value of sterling is likely to result in a 3% increase in CPI over a time period of 3-4 years. There is therefore likely to

be an acceleration in the pace of increase in inflation which could make life interesting for an MPC which wants to help promote growth in the economy by keeping Bank Rate low.

4. The American economy had a patchy 2015 – quarter 1 0.6% (annualised), 3.9% in quarter 2, 2.0% in quarter 3 and 1.4% in quarter 4, leaving growth in 2015 as a whole at 2.4%. Quarter 1 of 2016 came in at +1.1% but forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, has caused a re-emergence of caution over the timing and pace of further increases. It is likely there will now be only one more increase in 2016.

5. In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016. In response to a continuation of weak growth, at the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) and is expected to continue growing but at only a modest pace. The ECB is also struggling to get inflation up from near zero towards its target of 2%.

Appendix 2

Prudential & Treasury Indicators – 2015-16 Outturn Position

Background and Definitions

For the background, definitions and risk analysis for the prudential and treasury indicators for 2015-16, please see the Treasury Management Strategy 2015-16 report to Council 23 February 2015.

Prudential Indicators

Affordability

a) **Estimate of the ratio of financing costs to net revenue stream**

Ratio of financing costs to net revenue stream		
	2015-16	2015-16
	Estimate %	Actual 31 March 2016 %
General Fund	7.04%	9.43%
HRA	35.94%	34.50%

Actual financing costs on the General Fund were lower than budgeted. There was an underspend of £624k on the debt financing budget, the reasons for which are set out in the main body of the report.

Actual financing costs on the HRA were in line with the budget, other than depreciation charges, which were lower than anticipated, and interest on cash balances, which were higher than budgeted.

b) **Estimate of the incremental impact of capital investment decisions on the council tax**

Estimates of incremental impact of new capital investment decisions on the Council Tax	
	2015-16
	Estimate £.p
General Fund	0.47

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

Estimates of incremental impact of new capital investment decisions on weekly housing rents	
	2015-16
	Estimate £.p
HRA	20.10

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Net borrowing and the capital financing requirement (CFR)

Gross external debt less than CFR					
	Excluding third party loans			**Including third party loans**	
	2015-16 Budgeted	2015-16 Actual 31 March 2016		2015-16 Budgeted	2015-16 Actual 31 March 2016
	£000	£000		£000	£000
Gross external debt at 31 March 2016	206,850	216,593		222,396	267,653
2014-15 Closing CFR	236,473	235,714		253,738	251,229
Changes to CFR:					
2015-16	1,533	12,859		49,082	48,674
2016-17	910	11,738		657	11,458
2017-18	7,379	10,125		7,125	9,845
Adjusted CFR	246,295	270,436		310,602	321,206
Gross external debt less than adjusted CFR	Yes	Yes		Yes	Yes

This is the key indicator of prudence. It is intended to show that external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital requirement for the current and new two financial years.

The forward looking changes to CFR (2016-17 and 2017-18) are estimates that will be firmed up on an ongoing basis as new capital programme expenditure decisions are made and more accurate forecasts on existing schemes in the programme become available.

Gross external debt during the year, and at 31 March 2016, remained below the adjusted Capital Financing Requirement

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2015-16	2015-16
	Estimate £000	Outturn £000
General Fund	13,187	12,655
HRA	26,593	33,693
Total	**39,780**	**46,348**
Loan to Third Parties	47,800	46,300
Total	**87,580**	**92,648**

In the General Fund and HRA the original capital programme expenditure estimate was increased by scheme carry forwards from 2015-16, and the addition of new schemes during the year, but then reduced at outturn by carry forwards to 2016-17.

Expenditure on loans to third parties was lower than budgeted due to the removal of planned loan tranches to Northampton Town Football Club from this category.

Full details of the 2015-16 capital programme outturn, variances and budget carry forwards to 2016-17 are set out in the Finance and Monitoring Outturn Report to Cabinet on 13 July 2016.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2015-16	2015-16
	Estimate £000	31 March 2016 Actual £000
General Fund	51,203	61,770
HRA	186,803	186,803
Total	**238,006**	**248,573**
Loan to Third Parties	64,814	51,330
Total	**302,820**	**299,903**

The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions. Changes to the CFR are linked directly to the use of borrowing to finance new capital expenditure (including finance leases), and to the repayment of debt through Minimum Revenue Provision (MRP).

The General Fund CFR at 31 March 2016 is higher than the estimate primarily due to existing borrowing for loans to Northampton Town Football Club being transferred to the Council's main GF loan portfolio.

The HRA CFR has remained unchanged as none of the HRA capital programme in 2015-16 was financed by borrowing.

The CFR related to loans to third parties has reduced due to the removal of loans (existing and planned) to Northampton Town Football Club from this category.

External Debt

g) Authorised limit for external debt

Authorised Limit for external debt		
	2015-16	2015-16
	Boundary £000	31 March 2016 Actual £000
Borrowing	315,000	267,304
Other long-term liabilities	5,000	348
TOTAL	**320,000**	**267,652**

The long term liabilities figure relates to finance leases.

External debt remained below the authorised limit throughout 2015-16.

h) Operational boundary for external debt

Operational boundary for external debt		
	2015-16	2015-16
	Boundary £000	31 March 2016 Actual £000
Borrowing	305,000	267,304
Other long-term liabilities	5,000	348
TOTAL	**310,000**	**267,652**

The long term liabilities figure relates to finance leases.

External debt remained below the operational boundary throughout 2015-16.

i) HRA Limit on Indebtedness

HRA Limit on Indebtedness	
2015-16	2015-16
Limit £000	Closing HRA CFR 31 March 2016 £000
208,401	186,803

The HRA limit on indebtedness is £208.041m. This is the HRA debt cap set by the Department for Communities and Local Government in "The Northampton Borough Council (Limits on Indebtedness) Determination 2015". The HRA CFR of £186.803m, which is the measure of indebtedness, is below the limit.

Compliance

j) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The adoption is included in the Council's Constitution, approved by the Council on 14 March 2011, at paragraph 6.10 of the Financial Regulations

Treasury Indicators

l) Upper limits on interest rate exposures

Upper limits on interest rate exposures - Investments and Borrowing		
	2015-16	2015-16
	Limit %	Actual 31 March 2016 %
Fixed Interest Rate Exposures	150%	105%
Variable Interest Rate Exposures	150%	-5%

Upper limits on interest rate exposures - Investments		
	2015-16	2015-16
	Limit %	Actual 31 March 2016 %
Fixed Interest Rate Exposures	100%	72%
Variable Interest Rate Exposures	100%	28%

Upper limits on interest rate exposures - Borrowing		
	2015-16	2015-16
	Limit %	Actual 31 March 2016 %
Fixed Interest Rate Exposures	100%	97%
Variable Interest Rate Exposures	100%	3%

The purpose of these three indicators is to express the Council's appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates. Separate indicators have been set and monitored for debt and investments, as well as for the net borrowing position. Maximum exposure for fixed and variable rates during the year may add up to more than 100% (or 150% in the case of the combined indicator) as each is likely to occur on a different date. Actual exposure at 31 March 2016, and during the year, remained within the agreed limits.

m) Total principal sums invested for periods longer than 364 days

Upper limit on investments for periods longer than 364 days		
	2015-16	2015-16
	Upper Limit £000	Actual 31 March 2016 £000
Investments longer than 364 days	4,000	0

Investment periods have generally been kept to 364 days or below to maintain liquidity and to minimise counterparty risk in line with the Council's treasury strategy.

k) Maturity Structure of Borrowing

The table excludes PWLB borrowing taken by the Council to fund loans to third parties. Repayment of such borrowing is matched to loan repayments from the third party, and the loan maturity profile does not therefore have a direct impact on the Council's cash flows.

Maturity structure of borrowing			2015-16	2015-16
	Lower Limit %	Upper Limit %	Actual 31 March 2016 %	Actual 31 March 2016 £000
Under 12 months	0%	20%	7%	15,619
1-2 years	0%	20%	0%	-
2-5 years	0%	20%	9%	20,127
5-10 years	0%	20%	12%	25,463
10-20 years	0%	40%	13%	27,212
20-30 years	0%	60%	0%	319
30-40 years	0%	80%	0%	-
Over 40 years	0%	100%	58%	125,000

The Treasury Management Code of Practice requires the maturity of borrowing to be determined by reference to the earliest date on which the lender can require payment. The Council's has one LOBO loan, which is shown as maturing within 12 months, due to the six monthly break clauses, whereby the lender can opt to increase the rate, and the Council can choose to accept or decline the new rate. In the current interest rate environment it is not to the lender's advantage to increase the rate at the break dates and this option is not likely to be exercised.

Appendix 3

NBC Investment Portfolio as at 31 March 2016

Class	Type	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	Fixed	28/04/15	26/04/16	Bank of Scotland plc	Maturity	1.0000%	-2,000,000.00
Deposit	Fixed	14/05/15	13/05/16	Royal Bank of Scotland plc	Maturity	0.8700%	-5,000,000.00
Deposit	Fixed	01/06/15	27/05/16	Skandinaviska Enskilda	Maturity	0.8100%	-5,000,000.00
Deposit	Fixed	04/06/15	02/06/16	Royal Bank of Scotland plc	Maturity	0.8900%	-5,000,000.00
Deposit	Fixed	04/08/15	02/08/16	Skandinaviska Enskilda	Maturity	0.7700%	-3,000,000.00
Deposit	Fixed	09/09/15	07/09/16	Royal Bank of Scotland plc	Maturity	0.9400%	-5,000,000.00
Deposit	Fixed	16/12/14	16/12/16	Blaenau Gwent County	Maturity	0.9300%	-2,500,000.00
Deposit	Fixed	06/11/15	06/05/16	Nationwide Building Society	Maturity	0.6600%	-3,000,000.00
Deposit	Fixed	09/11/15	07/11/16	The Toronto-Dominion Bank	Maturity	0.8900%	-2,000,000.00
Deposit	Fixed	24/11/15	22/11/16	Landesbanken Hessen-	Maturity	1.0700%	-3,000,000.00
Deposit	Fixed	18/12/15	16/12/16	The Toronto-Dominion Bank	Maturity	0.9900%	-4,000,000.00
Deposit	Fixed	07/01/16	07/07/16	Landesbanken Hessen-	Maturity	0.7900%	-2,500,000.00
Deposit	Fixed	16/02/16	16/08/16	Landesbank Baden	Maturity	0.7250%	-2,500,000.00
Deposit	Fixed	19/02/16	17/02/17	Landesbanken Hessen-	Maturity	0.9200%	-3,000,000.00
Fixed Total						**0.8771%**	**-47,500,000.00**
Deposit	Call	07/12/15		Santander UK plc	Maturity	1.1500%	-7,000,000.00
Deposit	Call	06/10/15		Santander UK plc	Maturity	0.9000%	-5,000,000.00
Deposit	Call	07/12/15		Santander UK plc	Maturity	1.0500%	-3,000,000.00
Deposit	Call	31/03/14		HSBC Bank plc	Maturity	0.0700%	-250,000.00
Call Total						**1.0307%**	**-15,250,000.00**
Deposit	MMF	01/07/14		LGIM Sterling Liquidity 4	Maturity	0.4968%	-20,000.00
Deposit	MMF	31/03/14		Insight Liquidity Sterling C3	Maturity	0.5176%	-2,671,000.00
Deposit	MMF	31/03/14		SLI Sterling Liquidity/Cl 2	Maturity	0.5039%	-454,000.00
MMF Total						**0.5155%**	**-3,145,000.00**
Deposit Total						**0.8954%**	**-65,895,000.00**

Appendices: 5

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 November 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To present Committee with the financial position to 31 July.

1.2 To update Committee on car parking income and usage to 30 September.

2. Recommendations

2.1 To consider the contents of the following finance reports:

- General Fund Revenue Monitoring (**Appendix 1**);
- General Fund Capital Monitoring (**Appendix 2**);
- HRA Revenue Monitoring (**Appendix 3**);
- HRA Capital Monitoring (**Appendix 4**).

2.2 To note the position on car parking income and usage as at 31 July (**Appendix 5**).

2.3 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report).

3.1.2 Committee has asked to receive these reports which are brought to the first available meeting following their production.

3.1.3 Committee has also asked for more detailed information regarding car parking income and usage, and debt recovery.

3.2 Issues

3.2.1 The Council's revenue and capital position as at 31 July 2016 (Period 4) is set out in **Appendices 1-4**.

3.2.2 Significant variances at this point in the year are as follows:

3.2.2.1 General Fund Revenue – (£902k) favourable

Note: for ease of understanding adverse variations (i.e. additional costs or reductions income) are shown without brackets, while favourable variations (increased income or cost savings) are shown within them.

	£000
Controllable Service Budgets	(599)
Debt Financing & HRA Recharges	(303)
Contribution From Reserves	0
General Fund Revenue	**(902)**

The major variations are detailed below:

Asset Management

- Asset Management £96k adverse mainly relates to additional temporary staff covering vacant positions and professional services to carry out valuations. Offset by overachievement of NNDR rebates following challenges.

Head of Planning

- Head of Planning (£268k) favourable is due to the higher level of development control income for the whole year offset by a drop in anticipated building control income due to market conditions.

Director of Customers and Communities

- Director of Customers and Communities (£499k) favourable reflecting additional deductions made through the Environmental Services Contract and additional car parking income.

Corporate Budget

- Debt Financing (£303k) favourable due to lower Interest on borrowing and lower MRP charges due to repayment of borrowing on short-life assets during 2015-16 and carry forward of some capital expenditure into 2016-17.

3.2.2.2 HRA Revenue – (£2,767k) favourable

- The forecast underspend position on the HRA of £2.8m relates mainly to the ongoing NPH work with the Council in identifying void costs to capitalise and the careful management of Void budget spend. It has been identified that £2.3m of this revenue budget can be invested into the Capital Programme to help fund a programme of additional units and help to ensure that the Council fully utilises the retained 141 Right to Buy receipts it currently holds.

3.2.2.3 Capital Programme -

- General Fund Capital Programme - Cabinet in July approved carry forwards from 2015/16 of £7.3m. In line with approved processes, the Capital Programme Board has approved changes to the General Fund capital programme as set out in Appendix 3. These additions, totalling £392k, are predominantly funded from section 106 contributions, existing revenue budgets or earmarked reserves and therefore have no impact on the forecast funding from capital receipts and borrowing. The General Fund Capital Programme now stands at £21.9m.

- HRA Capital Programme – The approved HRA Capital Programme includes £9.3m to fund the construction of 100 new dwellings at Dallington. The phasing of the construction programme and the approved borrowing limits set by Central Government is currently being considered by the Treasury with a view to extending the debt cap determination into 2017/18 financial year to take into account the technical issues that are impacting against the delivery. A further update will come to Cabinet at a later date. The HRA capital programme is currently forecast to be delivered in line with the budget.

3.2.3 **Appendix 5** shows the monthly levels of car parking usage and income to 30 September.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendix 1

NB General Fund

Revenue Budget Forecasts 2016/17

July 2016

Key to BRAG where Forecast variance is:

- Greater than £(100k)
- Between £50k and £(100)k
- Between £51k and £100k
- Greater than £100k

Division	Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Notes on Forecast Variances	Period 3 Forecast Variance £000's	+ / (-)	2015/16 Outturn Variance £000's
	FA01	Asset Management	992	1,087	94	A	Additional temporary staff covering vacant positions and professional services to carry out valuations £161k. Offset by overachievement of NNDR rebates following challenges (£68k)	151	(56)	(18)
	FA06	Other Buildings & Land	(1,477)	(1,476)	1	G		0	1	(115)
Asset Management			**(485)**	**(389)**	**96**	**A**		**151**	**(55)**	**(133)**
	DR02	Director of Regeneration, Enterprise and Planning	256	250	(5)	G		(13)	8	(40)
Director of Regeneration, Enterprise & Planning			**256**	**250**	**(5)**	**G**		**(13)**	**8**	**(40)**
	RG01	Head of Economic Development and Regeneration	109	140	32	G	Overspend due to Interim Cover of vacant post £72k, offset by Recharge to EZ £40k	10	22	(26)
	RG02	Programmes & Enterprise	1,191	1,203	12	G		7	4	48
Economic Development and Regeneration			**1,300**	**1,344**	**44**	**G**		**18**	**26**	**22**
	PE02	Building Control	(45)	21	66	A	Anticipated drop in income of £68k due to market conditions and reduction in market share, offset by other minor variations	(2)	69	33
	PE03	Development Control	64	(166)	(231)	B	Due to the level of income received to date forecast income for the whole year has been increased by £250k compared to the budget. There were a couple of large appeals, that were being dealt with. One of these has just been lost, and the Council is liable to pay partial costs to the developer, at present the value of these are unknown. These costs are likely to be funded from corporate reserves, and are therefore not included in the Directorate forecasts. The other claim is still ongoing.	(242)	11	(404)
	PE06	Head of Planning	110	73	(37)	G	Underspend due to forecast expenditure on Head of Service less than employee budget allocated	(37)	(0)	36
	PE15	Joint Planning Unit	108	46	(62)	G	Additional refund of £28k due re 15/16 Contribution to JPU, savings on 16/17 contribution £47k. Offset by reduced recharges to JPU of £14k	0	(62)	(102)
	PE17	Planning & Regn Project Support	49	53	3	G		3	0	4
	RG04	Planning Policy & Heritage	593	585	(8)	G		(8)	0	(158)
Head of Planning			**879**	**611**	**(268)**	**B**		**(286)**	**18**	**(592)**
Director of Regeneration, Enterprise & Planning			**1,949**	**1,815**	**(134)**			**(131)**	**(4)**	**(742)**
	HS05	Housing Options & Advice	658	725	67	A	Mainly due to additional costs for agency staff.	(18)	85	103
	HS13	Head of Housing and Wellbeing	129	124	(5)	G		(1)	(4)	20
	PE09	Travellers Sites	38	57	19	G		0	19	12
	PE12	Private Sector Housing	82	120	38	G		32	6	194

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Notes on Forecast	Period 3 Forecast Variance		2015/16 Outturn Variance
	RG03	Housing Strategy & Wellbeing	157	73	(84)	G	Saving due to Housing Restructure	(128)	44	(71)
Head of Housing and Wellbeing			**1,064**	**1,098**	**34**	**G**		**(115)**	**149**	**257**
Housing			**1,064**	**1,098**	**34**			**(115)**	**149**	**257**
	GC08	Communications	254	250	(4)	G		3	(7)	(13)
	GC15	Emergency Planning	52	52	0	G		0	0	(0)
	PI20	Performance and change	55	48	(7)	G		(3)	(4)	(18)
Business Change			**361**	**350**	**(11)**	**G**		**(1)**	**(10)**	**(32)**
	CX01	Chief Executive	185	180	(5)	G		(5)	0	11
	GC02	Civic and Mayoral Expenses	93	85	(7)	G		(8)	0	14
	GC05	Overview & Scrutiny	47	49	2	G		1	1	2
	GC06	Councillor & Managerial Support	534	521	(13)	G	Staffing underspend due to vacancy	(13)	0	(40)
	LD02	Electoral Services	303	349	46	G	Spend on the Association of Electoral Administrators while the Elections Manager post is being recruited to.	47	(1)	93
	LD04	Legal	138	155	17	G	Small staffing overspend	16	1	(14)
	LD08	Democratic Services	260	231	(29)	G	Staffing underspend due to vacancy	(27)	(2)	(114)
Borough Secretary			**1,560**	**1,571**	**11**	**G**		**11**	**0**	**(46)**
Borough Secretary			**1,921**	**1,921**	**0**			**10**	**(10)**	**(78)**
	DR01	Director of Customers & Communities	182	186	4	G		4	0	11
Director of Customers & Communities			**182**	**186**	**4**	**G**		**4**	**0**	**11**
	CE03	Events	285	289	3	G		(1)	4	88
	CE06	Museums and Arts	767	775	8	G		4	4	5
	CE23	Town Centre Management	40	40	0	G		0	0	26
	CE24	Car Parking	(909)	(1,069)	(161)	B	Additional Season Ticket income from NGH	(165)	4	(386)
	CE26	Bus Station	114	101	(12)	G		(13)	0	(17)
	CS02	Call Care	(20)	(9)	11	G	Reduction in income offset by reduction in expenditure on overtime and software	12	(1)	(30)
	CS03	Head of Customer & Cultural Services	87	88	1	G		0	0	68
	CS04	Customer Services	444	467	23	G	Corporate savings and vacancy factor	25	(2)	12
	FA08	Facilities Management	894	852	(42)	G	A vacant post being left unfilled for the financial year and two other vacant posts not be filled till September.	(35)	(6)	(141)
	FA09	Markets	(42)	(45)	(3)	G		(6)	3	19
Head of Customer & Cultural Services			**1,661**	**1,489**	**(171)**	**B**		**(177)**	**6**	**(350)**
	CE02	Community Safety (includes CCTV)	376	372	(4)	G		(12)	8	74
	CE04	Leisure Contract	75	75	0	G		0	0	(2)
	GC04	Policy	5	5	0	G		0	0	(0)
	GC09	Community and Other Grants	1,218	1,218	0	G		0	0	39
	GC10	Community Developments	88	91	3	G		3	0	17
	GC11	Community Centres	20	20	0	G		0	0	0
	LD05	Licensing	(255)	(299)	(44)	G	Additional income from Taxi licences and reduced expenditure	(44)	0	(18)
	PE07	Pest Control	2	2	0	G		0	0	(4)
	PE10	Commercial Services	230	238	8	G		5	2	30

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Notes on Forecast	Period 3 Forecast Variance		2015/16 Outturn Variance
	PE11	Environmental Protection	980	1,049	68	A	£31k corporate savings and vacancy factor. £45k of unallocated budget savings.	24	44	(70)
	SS09	Environmental Services Contract	6,974	6,615	(360)	B	Estimated deductions made to the monthly core contract payment	(350)	(10)	(110)
	SS20	Environmental Services	(677)	(680)	(3)	G		9	(12)	(6)
Head of Communities and Environment			**9,038**	**8,706**	**(332)**	**B**		**(364)**	**32**	**(55)**
Director of Customers & Communities			**10,880**	**10,381**	**(499)**			**(538)**	**39**	**(393)**
	FA03	Audit	160	160	0	G		0	0	(10)
	FA04	Non Distributed Costs	5,561	5,561	(0)	G		(0)	0	(23)
	FA20	Corporate Finance	173	173	0	G		0	0	12
	HS01	Benefits	(1,368)	(1,368)	0	G		0	0	332
	HS03	Revenues	(913)	(913)	0	G		0	0	(53)
Corporate			**3,613**	**3,613**	**(0)**	**G**		**(0)**	**0**	**259**
	LGSS	Local Government Shared Service	8,419	8,419	0	G		0	0	101
LGSSX			**8,419**	**8,419**	**0**	**G**		**0**	**0**	**101**
Total Service Budgets			**27,847**	**27,248**	**(599)**			**(773)**	**174**	**(596)**
Item 01		Debt Financing	1,746	1,443	(303)	B	Interest on borrowing (£36k) – Changes to the timing and assumed interest rates on new external borrowing Investment interest (gross of HRA recharge) £105k – Significant falls in forecast interest rates following the Brexit vote and the recent cut in bank base rate to 0.25% MRP (£227k) - Repayment of borrowing on short-life assets during 2015-16 and carry forward of some capital expenditure into 2016-17 Recharges to/from the HRA (£145k) - Lower opening cash balances than budgeted, and lower average rate of interest assumed on investments	(243)	(60)	(625)
Total Corporate Budgets			**1,746**	**1,443**	(303)			(243)	**(60)**	**(625)**
Total General Fund			**29,593**	**28,691**	**(902)**			**(1,016)**	**114**	**(1,221)**

NB Capital Monitoring

Appendix 2

Capital GF Budget Forecasts 2016/17

July 2016

Head of Service	Scheme Code	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Foecast Under/Overspend £000's	Summarised Transaction Description
	BA186	Improvement to Parks Infrastructure	0	0	0	(2)	2	0	0	0	
	BA220	St Crispins Community Centre	1,150	959	2,109	528	1,414	2,109	0	(0)	
	BA230	St. Crispins Allotments	0	265	265	0	0	265	0	0	
	BA232	Southfields Recreation Park Play Equipment	0	25	25	0	25	25	0	0	
	BA233	Banbury Lane Pocket Park Play Equipment	0	24	24	23	0	24	0	0	
	BA234	Hardingstone Recreation Ground	0	42	42	0	42	42	0	0	
	BA241	Improvements to town centre cleansing	0	17	17	17	0	17	0	0	
	BA245	Berrywood Road Footpath	0	10	10	0	10	10	0	0	
	BA246	Southfield Park Footpaths	0	20	20	0	0	20	0	0	
	BA673	Parks / Allotments / Cemeteries Enhancements	250	20	270	0	0	270	0	0	
Julie Seddon			**1,400**	**1,382**	**2,782**	**566**	**1,492**	**2,782**	**0**	**(0)**	
	BA165	Corporate EDRMS	0	57	57	0	0	37	0	(20)	Some civica day costs to be met from revenue
	BA207	ICT Improvement / Refresh	215	247	462	33	0	300	162	(0)	Project may extend into 17/18
	BA216	Central Museum Development	495	94	589	2	0	589	0	(0)	
	BA225	Car Park Pay Machines	0	0	0	(3)	3	0	0	0	
	BA231	LED Lighting - Mayorhold & St Johns MSCP	0	128	128	0	70	128	0	0	
	BA235	CCTV Technology Upgrade	200	0	200	0	0	200	0	0	
	BA240	Abington Park Museum - Renewal of Displays	210	0	210	0	1	210	0	0	
	BA659	Call Care Project (part of prevention programme)	0	9	9	0	0	9	0	0	
	BA764	One Stop Shop, CRM	0	0	0	4	0	0	0	0	
	BA893	Microsoft Office 2010 Upgrade	0	8	8	0	0	8	0	0	
Marion Goodman			**1,120**	**543**	**1,663**	**37**	**74**	**1,481**	**162**	**(20)**	
	BK015	DFG's Owner Occupiers	1,875	(57)	1,818	239	311	1,818	0	(0)	
Phil Harris			**1,875**	**(57)**	**1,818**	**239**	**311**	**1,818**	**0**	**(0)**	
	BA211	Extension of Duston Cemetery	0	0	0	0	7	0	0	0	
	BA215	Moulton Athletic Track	0	631	631	195	765	631	0	0	Expected to spend full budget
	BA221	Vulcan Works	3,940	(210)	3,730	4	2	3,730	0	0	
	BA223	Eastfield Park Additional Play Equipment	0	47	47	45	2	47	0	0	Expected to spend full budget
	BA224	Delapre Abbey and Parklands Infrastructure	100	197	297	2	13	297	0	0	
	BA226	Purchase of National Grid Land	0	1,500	1,500	0	0	1,500	0	0	
	BA227	Duston Arts Project	40	1	41	10	29	41	0	0	

Head of	Scheme Code	Scheme Description	Original Budget	Approved Changes In Year	Latest Approved Budget	YTD Actual Expenditure	Committed Expenditure	Forecast Year End Spend	Expected Carry Forward	Foecast Under/Overspend	Summarised Transaction
	BA229	Weston Favell Improvement Project	0	33	33	9	0	33	0	0	
	BA243	Lodge Farm Community Centre	0	53	53	0	0	53	0	0	
	BA652	Visitor Signage in Town Centre	0	73	73	0	0	73	0	0	
	BA653	Delapre Abbey Restoration	595	2,710	3,305	825	96	3,305	0	0	
	BA663	Duston Wetlands Development & Implementation	0	201	201	0	0	201	0	0	
	BA666	Greyfriars Bus Station Demolition	0	30	30	0	77	30	0	0	
	BA668	Abington Street - Opening Up to Traffic	0	0	0	(2)	2	0	0	0	
	BA669	St Giles Street Improvements	2,200	488	2,688	1,843	192	2,688	0	0	
	BA670	Waterside Improvements (Southbridge)	0	40	40	20	0	40	0	0	
	BA671	Heritage Gateway	0	88	88	6	0	88	0	0	
	BA672	Capital Improvements - Regeneration Areas	250	253	503	181	0	503	0	0	Expected to spend full budget
	BA684	Superfast Broadband	45	0	45	0	412	45	0	0	Expected to spend full budget
	BA685	Northampton Bike Hire Scheme	0	55	55	45	10	55	0	0	
	BA687	St Peters Waterside	0	1,021	1,021	0	19	1,021	0	0	
	BA696	Pig & Whistle Refurbishment Works	0	0	0	0	11	0	0	0	
	BA698	Delapre Abbey New Tea Room & Pony Club Office	0	0	0	(1)	60	0	0	0	
Paul Walker			**7,170**	**7,210**	**14,380**	**3,182**	**1,696**	**14,380**	**0**	**0**	
	BA645	S106 Contributions to Other Local Authorities	0	74	74	74	0	74	0	0	
	BA883	Planning IT Improvements (HPDG)	17	0	17	0	0	7	0	(10)	
Peter Baguley			**17**	**74**	**91**	**74**	**0**	**81**	**0**	**(10)**	
	BA236	Car Park Lifts	250	0	250	0	0	250	0	0	
	BA674	Operational Buildings - Enhancements	250	166	416	(19)	75	416	0	(0)	
	BA675	Commercial Landlord Responsibilities	120	292	412	(5)	71	412	0	0	
	BA889	Mayorhold Car Park - Drainage Works	0	77	77	0	0	77	0	0	
Glenn Miller			**620**	**535**	**1,155**	**(24)**	**146**	**1,155**	**0**	**0**	
Total Scheme Budgets			**12,202**	**9,686**	**21,888**	**4,074**	**3,718**	**21,696**	**162**	**(30)**	

Sources of Funding

Source	Original Budget	Approved Changes In Year	Latest Approved Budget	YTD Actual Expenditure	Committed Expenditure	Forecast Year End Spend	Expected Carry Forward	Foecast Under/Overspend
Grants	4,310	2,289	6,599			6,589		(10)
Section 106	1,260	2,080	3,340			3,340		0
Revenue/Reserves	0	2,321	2,321			2,321		0
Self-funded Borrowing	415	247	662			501	162	0
Corporate Borrowing	3,967	(331)	3,636			3,636		0
Capital Receipts	2,250	3,080	5,330			5,310		(20)
Total Financing	**12,202**	**9,686**	**21,888**			**21,696**	**162**	**(30)**

Housing Revenue Account

Revenue Budget Forecasts 2016/17

July 2016

Appendix 3

Key to BRAG where Forecast variance i

Greater than £(100k)
Between £50k and £(100k)
Between £51k and £100k
Greater than £100k

Type	SEADIV	Service Area	TOTAL Current Budget £000's	NPH Managed Budget £000's	Actuals £000's	Forecast Outturn £000's	Forecast Variance £000's	BRAG Status	Notes on Forecast Variances
INCOME									
	H1	Dwelling Rents	(50,494)	0	(7,361)	(50,444)	50	A	Higher level of RTB sales than anticipated
	H2	Non-Dwelling Rents	(1,109)	0	(184)	(1,119)	(10)	G	
	H3	Other Charges for Services	(2,077)	0	(365)	(2,087)	(11)	G	
	H4	Contibution To Expenditure	(55)	0	(0)	(20)	35	G	
Total Income			**(53,734)**	**0**	**(7,910)**	**(53,669)**	**65**	**A**	
EXPENDITURE									
	H10	Repairs & Maintenance	16,625	16,625	2,357	14,313	(2,312)	B	Capitalisation of voids costs. It is anticipted that this underspend will be used to support the capital programme
	H8	General Management	7,462	6,917	1,767	7,296	(166)	B	Primarily staff savings as a result of vacant posts
	H9	Special Services	4,599	4,519	514	4,320	(279)	B	Primarily staff savings as a result of vacant posts
	H7	Rents, Rates, Taxes	279	0	30	279	0	G	
	H13	Provision for Bad Debts	550	0	119	475	(75)	G	Later than expected implemetation of Universal Credit system
Total Expenditure			**29,515**	**28,061**	**4,787**	**26,683**	**(2,832)**	**B**	
Net Cost of Services			**(24,220)**	**28,061**	**(3,123)**	**(26,987)**	**(2,767)**	**B**	
		Net Recharges from the General Fund	2,945		736	2,945	0	G	
		Interest & Financing Costs	6,270		1,568	6,270	0	G	
		Depreciation/MRA	13,008		3,252	13,008	0	G	
		Revenue Contributions to Capital	9,513		2,378	9,513	0	G	
		Net Contribution (from) / to Earmarked Reserves	(7,517)		(1,187)	(4,749)	2,768	R	Lower net contribution required from HRA Reserve
Net Transfer From / (To) Working Balance			**0**	**28,061**	**3,623**	**0**	**0**	**G**	
		Working Balance b/f	(5,000)		(5,000)	(5,000)	0		
Working Balance Outturn			**(5,000)**	**28,061**	**(1,377)**	**(5,000)**	**0**	**G**	

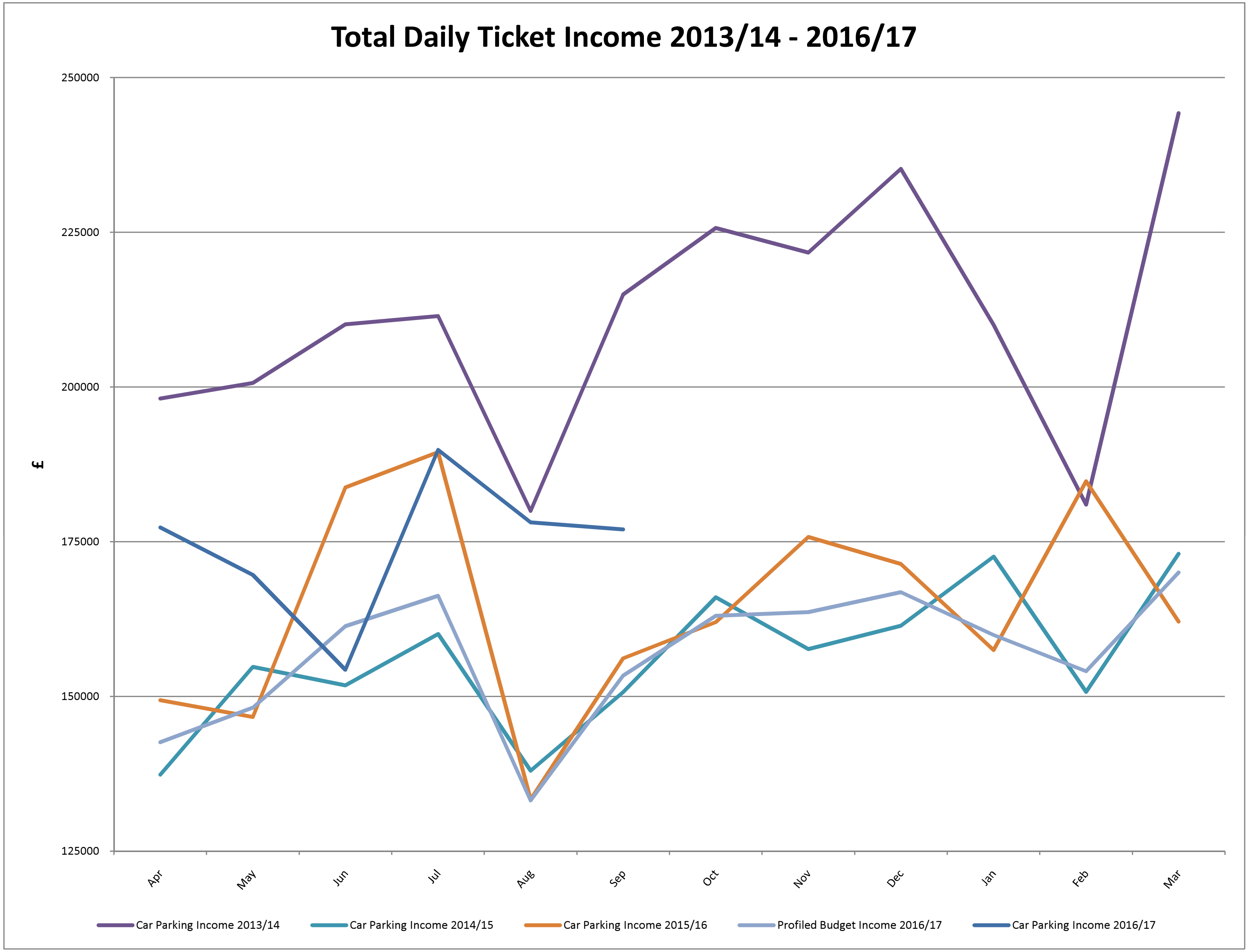
NB Capital Monitoring

Appendix 4

Capital HRA Budget Forecasts 2016/17

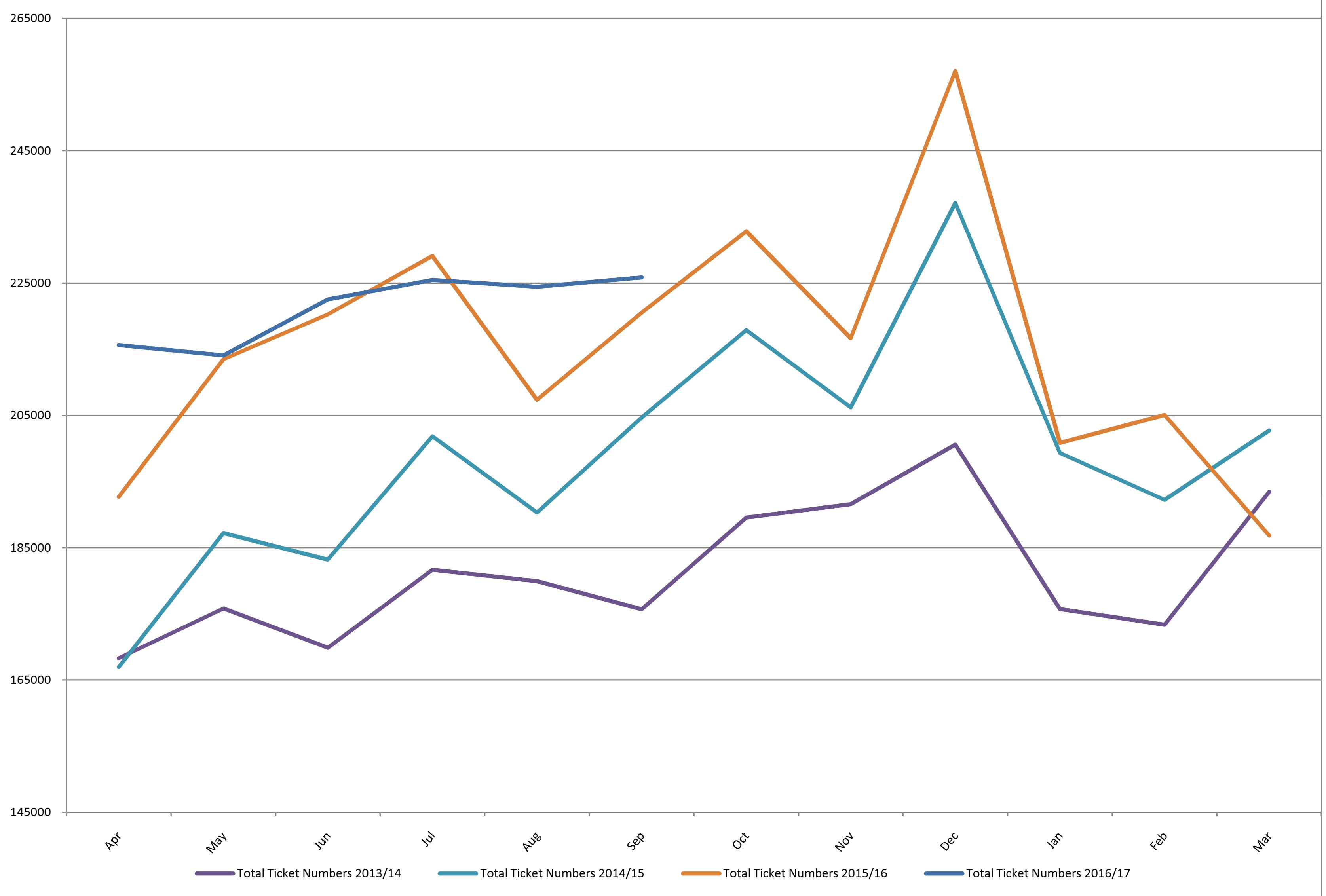
July 2016

Head of Service	Scheme Code (NBC)	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Forecast Under/ Overspend £000's	Summarised Transaction Description
S Boyes	BH370	Repurchase of Former Council Houses	1,138	587	1,725	285	0	1,725	0	0	
P Harris	BH384	New Build - Dallington	8,706	600	9,306	0	0	9,306	0	0	
NBC Retained Capital Schemes			**9,844**	**1,187**	**11,031**	**285**	**0**	**11,031**	**0**	**0**	
NPH	BH801	NPH Capital - Managed Budget Improvement to Homes	20,636	521	21,157	6,595	7,198	21,157	0	0	
NPH	BH802	NPH Capital - Managed Budget Improvement to Environment	3,970	0	3,970	444	2,974	3,970	0	0	
NPH	BH803	NPH Capital - ITC	0	689	689	76	86	689	0	0	
NPH Managed Capital Schemes			**24,606**	**1,210**	**25,816**	**7,114**	**10,257**	**25,816**	**0**	**0**	
Total Scheme Budgets			**34,450**	**2,397**	**36,847**	**7,399**	**10,257**	**36,847**	**0**	**0**	



Income to the end of September was £141k greater than budgeted profile for the first 6 months of 2016/17

Total Summary Daily Ticket Numbers 2013/14 - 2016/17



The volume of tickets issued up to and including the end of period 6 was 46k higher than for the same period in 2015/16.

Appendices: None

AUDIT COMMITTEE REPORT

Report Title	Position Statement on Vacant Posts and Interim/Agency Staff

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14th November 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To present Committee with a position statement as to the numbers of staff vacancies and interims/agency staff engaged.

2. Recommendations

2.1 To consider the contents of this finance report.

2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance report is presented to Cabinet quarterly (including the outturn report) which are then brought to the first available Audit Committee meeting following their production.

3.1.2 At it's meeting on the 14 March Audit Committee raised a query requesting further information on:

- The number of interim/agency staff and vacant positions currently held at the Council

3.2 Interim/Agency Staff and Vacant Positions

3.2.1 The number of interim and agency staff engaged is summarised in the table below.

Directorate	Feb	August	September
Borough Secretary	**9**	**9**	**10**
Director of Customers & Communities	***13**	***8**	***8**
Director of Regeneration, Enterprise & Planning	**13**	**13**	**8**
Housing and Well Being	**4**	**10**	**6**
Total	**39**	**40**	**32**

3.2.2 The number of interim and agency staff engaged and the length of engagement is summarised in the table below.

Directorate	September	Length of time engaged				
		<1 month	1-3 months	3-6 months	6-12 months	12+ months
Borough Secretary	**10**	**-**	**2**	**1**	**3**	**4**
Director of Customers & Communities	***8**	**5**	**3**	**-**	**-**	**-**
Director of Regeneration, Enterprise & Planning	**8**	**-**	**1**	**3**	**2**	**2**
Housing and Well Being	**6**	**1**	**-**	**3**	**1**	**1**
Total	**32**	**6**	**6**	**7**	**6**	**7**

***12 Posts removed from total relating to Enterprise Contract as costs are being recovered through the contract.**

3.2.3 The number of staff vacancies is summarised in the table below.

Directorate	Total Posts	Vacancies (March)	Vacancies (August)	Vacancies (September)	Recruiting to	Covered by Interims/ Agency
Borough Secretary	**28**	**11**	**12**	**12**	**6**	**10**
Director of Customers & Communities	**169**	**23**	**25**	**25**	**21**	**8**
Director of Regeneration, Enterprise & Planning	**65**	**13**	**13**	**12**	**4**	**8**
Housing and Well Being	**37**	**5**	**8**	**8**	**6**	**6**
Total	**299**	**52**	**58**	**57**	**37**	**32**

3.2.4 Borough Secretary. The department has had to recruit 5 additional staff in Elections to support changes arising from Individual Registration, brought about by changes in the law. The department is actively considering what departmental structures it needs to adequately and proportionally resource this important statutory function. Of the 12 vacancies, through the department, 2 has been filled, 2 have been offered a permanent role, 2 will be re-advertised as we were not successful at interview stage in finding a suitable candidate, 1 is under review and the remainder are being held pending restructures. In addition an interim has been engaged on a temporary basis for the transformation project as there is no post on the establishment list.

3.2.5 Of the 25 vacancies in the Directorate of Customers & Communities, 16 have been filled and are just waiting on start dates, 5 are currently out to advert and the remainder are being held pending restructures to find further savings.

3.2.6 Of the 12 vacancies within the Directorate of Regeneration, Enterprise and Planning, offers have been made and accepted in relation to two posts. Three posts were unsuccessfully recruited to; these posts are under review. Two post are due to go to recruitment imminently. The remaining posts are held for review.

3.2.7 Of the 8 vacant positions in the Housing and Wellbeing Service, 6 are being recruited to. The 6 Interims in the Housing and Wellbeing Service are covering vacant posts until successful appointments are made.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendices: 1

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Corporate Performance Outturn 2015-16

AGENDA STATUS: **Public**

Audit Committee Meeting Date:	Monday 14 November 2016
Policy Document:	No
Directorate:	Borough Secretary
Accountable Cabinet Member:	Leader

1. Purpose

1.1 To inform Audit Committee of the Council's outturn performance for 2015-16 monthly and quarterly performance indicators (reporting period: 1 April 2015 to 31 March 2016).

1.2 The Council's outturn performance for 2015-16 was reported to Cabinet on 7 September 2016.

2. Recommendations

2.1 That Audit Committee review the contents of the performance report (**Appendix 1**) and recommend actions to be taken, if any, to address the issues arising.

3. Issues and Choices

3.1 Report Background

3.1.1 Performance data is collected across a range of locally developed indicators which are collected on a monthly, quarterly or annual basis and form the basis of the Councils performance monitoring process. Cabinet members receive detailed information on all the measures monitoring the Corporate Plan within their portfolios on a regular basis.

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3.1.2 This report summarises the outturn performance data for 2015-16 (reporting period: 1 April 2015 to 31 March 2016). The appended report details:

- A performance dashboard overview for each of the corporate themes
- Detailed KPI results with supporting commentary

3.2 Issues

3.2.1 **Progress against Corporate Plan priorities**

Overall, both Corporate Plan priorities met their targets (blue, green, or amber status). **67%** of performance measures (where data is available) reached their target.

3.2.2 **Overall indicator performance against targets**

Status	Overall Percentage (%) 2014-15	Overall Percentage (%) 2015-16
Blue • Exceptional or over-performance **Green** • On or exceeding target	55.3	**54.76**
Amber • Within agreed tolerances	14.3	**11.9**
Red • Outside agreed target tolerance	30.3	**33.33**

3.2.3 **Highlights:**

- Overall, 67 % of performance measures reached their targets in 2015/16
- There are 42 performance measures and of those 28 were we within agreed tolerances or above and 14 of the 42 falling short of their targets

- Two of the targets missed relate to missed domestic waste bins. These have been due to vehicle breakdowns, issues around sack collection and delays delivering green sacks. Actions such as a new operational process have been put in place to help achieve the targets for next year

- The target for the number of new businesses locating in the Northampton Enterprise zone is set by SEMLEP/DCLG and was missed by 3 properties
- 17 new business did successfully locate to the Northampton Enterprise Zone during 2015/16
- The number of new jobs created in the Northampton Enterprise Zone has reported exceptional performance with a target of 300 and actual delivery of new jobs created being 602
  - Northampton has the highest figure outside of London for business start-ups reported by independent organisations (not part of Northampton's performance measures)

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- There are underachieving targets on the homeless performance measures. The implementation of Northampton's multi agency rough Sleepers Strategy in early 2016/17 aims to address this and reduce the number of people found bedded down in Northampton in the future.

- In February 2016 a new policy and fee structure was implemented for HMO licencing. The two performance measures for HMO licencing fell short during this period of transformation for the policy and fee structure

- The number of unique visits to the museum web pages continues to rise steadily from 49,608 visits in 2013/14 to 65,332 visits two years later in 2015/16

- Excellent performance for the removal of fly tipping waste remains high and constant with the percentage of fly tipping incidents removed 2 working days from notification. In 2013/14 the performance was 99.92%, in 2014/15 it was 99.37% and in 2016/16 it was 99.89%. This high performance measure is due to efficient working practices being in place

- The increase in the town centre footfall can be impacted on by many things that are difficult to predict and not within the influence of Northampton Borough Council. However, there are many initiatives in the last twelve months that will have supported the increase in footfall from 13,814,047 in 2013/14 to 15,280,622 in 2015/16 such as 2 hour free parking, Saturday free parking, town centre events and the opening of Abington Street

3.2.3 **Data Quality**

The Council has processes in place to ensure that the data and information it provides to support management decision-making is as reliable as possible. The Council has a strategy to improve data quality and service areas are working to achieve the objectives within it.

A quality assurance process is in place for the validation of data. The measure owners challenged and checked the data and these were then signed off at Director level.

3.3 Governance

3.3.1 Cabinet were asked to review the appended performance report.

4. Implications (including financial implications)

4.1 Policy

4.1.1 A number of corporate measures are monitored on a monthly basis to track progress towards delivering our priorities, as detailed in the Council's Corporate Plan. Service areas annually develop objectives, measures and targets to ensure the delivery of the Corporate Plan through the service planning process.

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4.2 Resources and Risk

4.2.1 The service areas Service Plans underpin the delivery of the Corporate Plan priorities. All objectives, measures and actions within the Service Plans are risked assessed and challenged before final approval. The challenge process includes the agreement of performance targets and the capacity / ability to deliver the plans with appropriate resource set aside to do so.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality and Health

4.4.1 There is no specific health or equalities implications arising from this report as it is for information only.

4.5 Consultees (Internal and External)

Who?	When?
Measure owners and heads of service	Throughout July & August 2016
Cabinet	7 September 2016

4.5.1 A Performance & Finance report is monitored by Cabinet on a quarterly basis.

4.5.2 A Full performance report is submitted to the Overview & Scrutiny on request, and to the Audit Committee for review and action.

4.5.3 Heads of Service and Management Board are consulted as part of the performance monitoring process.

4.5.4 Performance data (financial and non-financial) is published on the NBC website.

4.6 How the Proposals Deliver Priority Outcomes

4.6.1 Performance monitoring (financial and non-financial) to improve performance is good practice, in terms of efficient and effective management. It focuses on the key areas and therefore contributes directly to one of the 2016-20 priorities of the Corporate Plan "Working Hard and Spending Your Money Wisely", through quality modern services.

4.7 Other Implications

4.7.1 There are no other implications arising from this report.

5. Background Papers

5.1 Appendix 1: Performance Outturn – Key Indicators – 2015/16.

Francis Fernandes, Borough Secretary (Extension: 7334)

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Performance Outturn

Key Indicators

April 2015 - March 2016

Introduction

This report details the performance against key indicators during the 2015/16 financial year which support the delivery of the Corporate Plan .

The following pages provide a top level summary for each theme, "Your Town" and "You", and gives detailed information for individual measures.

2015/16 performance is compared to 2014/15 and 2013/14.

Where population or household figures are required, April 2015 values from the Office of National Statistics (ONS) have been used for the entire year:

- Population: 216,700
- Number of households: 94,630

Key

- Exceptional or over performance
- On or exceeding target
- Within agreed tolerances
- Outside agreed target tolerance
- Good to be low: Better
- Good to be low: Worse
- Good to be High: Better
- Good to be High: Worse
- No change
- No data or target available
- No data available
- No target available

Are we achieving our priorities?

NBC Corporate Plan	
	YTD
Northampton alive with innovation, enterprise and opportunity	

Theme	
	YTD
Your Town - A town to be proud of	
You - How your Council will support and empower you and your community	

Highlights
Overall, 67 % of performance measures reached their targets in 2015/16.There are 42 performance measures and of those 28 were we within agreed tolerances or above and 14 of the 42 falling short of their targets.

Two of the targets missed relate to missed domestic waste bins. These have been due to vehicle breakdowns, issues around sack collection and delays delivering green sacks. Actions such as a new operational process have been put in place to help achieve the targets for next year.

The target for the number of new businesses locating in the Northampton Enterprise zone is set by SEMLEP/DCLG and was missed by 3 properties. 17 new business did successfully locate to the Northampton Enterprise Zone during 2015/16. The number of new jobs created in the Northampton Enterprise Zone has reported exceptional performance with a target of 300 and actual delivery of new jobs created being 602. Northampton has the highest figure outside of London for business start-ups reported by independent organisations (not part of Northampton's performance measures).

There are underachieving targets on the homeless performance measures. The implementation of Northampton's multi agency rough Sleepers Strategy in early 2016/17 aims to address this and reduce the number of people found bedded down in Northampton in the future.

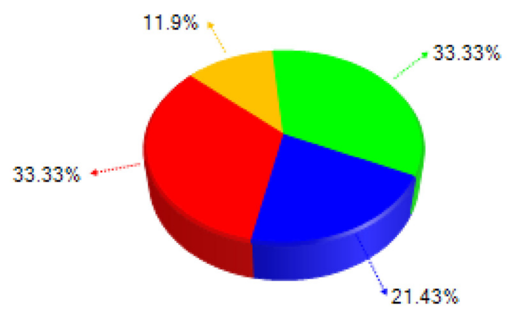
In February 2016 a new policy and fee structure was implemented for HMO licencing. The two performance measures for HMO licencing fell short during this period of transformation for the policy and fee structure.

The number of unique visits to the museum web pages continues to rise steadily from 49,608 visits in 2013/14 to 65,332 visits two years later in 2015/16.

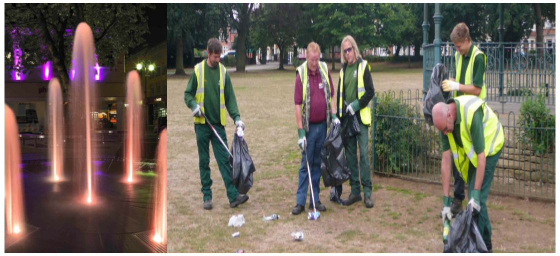
Excellent performance for the removal of fly tipping waste remains high and constant with the percentage of fly tipping incidents removed 2 working days from notification. In 2013/14 the performance was 99.92%, in 2014/15 it was 99.37% and in 2016/16 it was 99.89%. This high performance measure is due to efficient working practices being in place.

The increase in the town centre footfall can be impacted on by many things that are difficult to predict and not within the influence of Northampton Borough Council. However, there are many initiatives in the last twelve months that will have supported the increase in footfall from 13,814,047 in 2013/14 to 15,280,622 on 2015/16 such as 2 hour free parking, Saturday free parking, town centre events and the opening of Abington Street.

Performance Indicator alert summary				
				Total
14	5	14	9	42



YOUR TOWN



Northampton - on tra

Invest in safer, cleaner neighbourhoo

Celebrating our heritage and cultu

Making every £ go furth

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 16/16)		Notes:
AST05a External rental income demanded against budgeted income (M)	94.24 %		98.83 %		105.88 %		95.00 %		Bigger is Better	
The actual rent income achieved was 105%, better than forecast. This is due to a combination of factors such as: a) Differing tenancy arrangements for rent payments including differing property types/classes (e.g. retail, industrial). b) Arrangements for payment of rent vary. c) The possibility of re letting a newly vacant property at a new market value. - Currently, the vacancy rates for NBC`s investment property are low due to a proactive approach to property management. This means that property managers seek to find suitable new tenants to occupy property that has or is becoming vacant at the earliest opportunity to minimise the time a property is vacant. - This approach has resulted in a higher turnover of tenants for some assets in some locations. This means that in some cases a number of different tenants occupy the same property in any one year.										
AST05b % commercial rent demanded within the last 12 months (more than 2 months in arrears) (M)	3.53 %		0.17 %		2.47 %		3.00 %		Smaller is Better	
The % changes due to the difference between rent demanded and the outstanding level of rent and vacancy periods for some types of property. (Also see reasons bullet pointed in AST05a)										
AST12 % achieved where return on (sub group) investment properties meets agreed target rate (M)	91.25 %		92.00 %		90.14 %		92.00 %		Bigger is Better	
Property reviews are now carried out on an ad hoc basis with underperforming assets identified and considered for reinvestment or disposal Active management of the investment portfolio and the disposal of assets approved for disposal by Cabinet/Cabinet Member will continue throughout 2016. This means that the performance of the property portfolio is affected by the acquisition or disposal of a property approved by cabinet. Also see reasons bullet pointed in AST05a										
BV008 Percentage of invoices for commercial goods & serv. paid within 30 days (M)	96.21 %		99.48 %		99.74 %		99.00 %		Bigger is Better	
Over the year 99.48% of invoices were paid within 30 days. This exceeds the target and also the previous year's performance.										
BV012_12r Ave. no. of days/shifts lost to sickness for rolling 12 month period (M)	10.24		10.53		7.83		9.00		Smaller is Better	
Levels of sickness & absence have reduced to a level which is below the target set by NBC. Compared to 12 months ago, 2.7 days per FTE less were lost through sickness in the organisation This is mainly due to two factors: 1) The Employment Costs Review which was implemented in April 2015 and introduced zero pay for staff for the first three days of sickness absence has led to a reduction in staff absence.										

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 16/16)		Notes:
2) Sickness absence is monitored robustly by both line managers and LGSS HR Advisory with data being made available to managers on a monthly basis from the Agresso system which is operated by LGSS. Managers are able to check for absence patterns and reasons for absence quickly on the system and are encouraged to carry out Return to Work Interviews with staff on return from any absence. For the 16/17 year, a more challenging target has been set for NBC (7.5 days per FTE) to meet with sickness absence and Directors and Heads of Service will be able to see which of their line managers have completed the necessary Return to Work interview documents. Alerts for line managers to carry out these interviews have been changed to an email alert on the second day of an employee's attendance at work after being off sick.										
CH10 No. of unique visits to Museum Pages (M)	49,608		56,229		65,332		46,000		Bigger is Better	
Website and social media platforms continue to be an important marketing tool and the increase reflects their importance in maintaining and developing the msueums profile.										
CS05 Percentage satisfied with the overall service provided by the Customer Service Officer (M)	91.54 %		95.86 %		92.34 %		90.00 %		Bigger is Better	
The target was altered in 2014/15, to report on number of customers waiting less than 10 minutes, this was a service improvement, whereas previously it was 15 minutes.										

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 16/16)		Notes:
CS13a % of calls for NBC managed services into contact centre answered (M)	87.12 %		88.62 %		92.74 %		90.00 %		Bigger is Better	
Staffing levels were maximised to improve response times. A cross training plan was implemented to increase efficiency Reorganisation of Customer services duty rotas improved staff cover and managed the service needs, improved forecasting data across the service allowed for an overall increase in performance levels.										
CS14a % OSS customers with an appointment seen on time (M)	95.9 %		96.1 %		94.7 %		90.0 %		Bigger is Better	
The target was changed in 2014/15, to report on number of customers waiting less than 10 minutes, whereas previously it was 15 minutes. We also implemented further changes to our procedures and introduced a local target for the number of drop in customers waiting less than 15 minutes, we forecast that both these changes would have an impact across the service so maintained a 90% target until the changes stabilised.										
ESC01n Total bins/boxes missed in period (M)	2,927		3,876		4,811		1,400		Smaller is Better	
Trends have worsened due to several issues: issues around sack collection and delays on delivery of green sacks and vehicle breakdowns. A new process has been implemented to mitigate against this next year.										
ESC02 % missed bins corrected within 24hrs of notification (M)	36.45 %		86.95 %		89.05 %		98.00 %		Bigger is Better	
The contractors performance has improved over the year										
ESC04 % household waste recycled and composted (NI192) (M)	41.55 %		41.50 %		40.76 %		49.00 %		Bigger is Better	
Performance and target is consistent with national trends. Low take up of food waste participation and Enterprise will produce a recycling strategy as part of the SLA to suggest ways of improving this.										
ESC05 % of Land and Highways assessed falling below an acceptable level - Litter (NI195a) (4M)	1.33 %		1.50 %		2.39 %		2.00 %		Smaller is Better	
Good performance in the year meeting contractual targets.										
ESC06 % of Land and Highways assessed falling below acceptable level - Detritus (NI195b) (4M)	1.83 %		1.33 %		1.83 %		5.00 %		Smaller is Better	
Good performance in the year meeting contractual targets.										

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 16/16)		Notes:
ESC07 % of Land and Highways assessed falling below acceptable level - Graffiti (NI195c) (4M)	0.39 %		0.50 %		0.61 %		2.00 %		Smaller is Better	
Good performance in the year meeting contractual targets. Graffiti can be very unpredictable and several instances can affect performance significantly.										
ESC08 % of Land and Highways assessed falling below acceptable level - FlyPosting (NI195d) (4M)	0.00 %		0.00 %		0.00 %		2.00 %		Smaller is Better	
No records as when inspected each time, the result was 0.										
ESC09 % of Fly Tipping incidents removed within 2 working days of notification (SO2) (M)	99.92 %		99.37 %		99.89 %		100.00 %		Bigger is Better	
Excellent performance and processes working well and are regularly reviewed.										
IG02 Av. days to respond to LGO enquiries (excl. pre-determined cases) (Q)			19.11		23.00		28.00		Smaller is Better	
The target is to ensure all LGO complaints are responded to within 28 days from the date the Council receives them. Every complaint has its own timeline and though some may go over this, the report can only show an average for the year. Last year this was 23 days as an average.										
MPE01 No. of new businesses locating on NWEZ (Q)			16		17		20		Bigger is Better	
EZ targets are set by SEMLEP/DCLG										
MPE02 No. of new jobs created on NWEZ (Q)			549		602		300		Bigger is Better	
EZ targets are set by SEMLEP/DCLG The majority of job creation came across the business existing business community. Cosworth saw a large increase in FTE's following their expansion and new businesses such as ETM Engineering added to the total.										
MPE03 No. of business start ups within the Borough (A)					2,670		70		Bigger is Better	
We have no tool for monitoring this output, however this is the figure being reported by independent organisations. Northampton has the highest figure outside of London for business start ups.										

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 16/16)		Notes:
NI157a % Major Planning applications determined in 13 weeks or agreed extension (M)	70.59 %		83.33 %		100.00 %		80.00 %		Bigger is Better	
100% applications determined within agreed time scales.										
NI157b % of 'minor' planning apps determined within 8 weeks or agreed extension (M)	87.10 %		97.42 %		98.22 %		95.00 %		Bigger is Better	
Exceeding targets due to consistently high staff effort. However, due to resource constraint, staff changes and increasing volume of work, it is an ongoing challenge to meet such consistent high performance.										
NI157c % of 'other' planning apps determined within 8 weeks or agreed extension (M)	92.74 %		96.14 %		98.80 %		95.00 %		Bigger is Better	
Exceeding targets due to consistently high staff effort. However, due to resource constraint, staff changes and increasing volume of work, it is an ongoing challenge to meet such consistent high performance.										
PP06 % change in serious acquisitive crime from the baseline (M)	-27.79 %		-13.24 %		8.39 %		-6.50 %		Smaller is Better	
The data has now been received which shows a 6.03% increase (+158 crimes) in Serious Acquisitive Crime during 2015/16 compared to 2014/15. This includes increases of 1.5% (+15 crimes) in domestic burglary, 5.3% (+54 crimes) in theft from motor vehicle, 26.5% (+82 crimes) in theft of motor vehicle and 2.3% (+7 crimes) in robbery. Although the 6.5% reduction has not been achieved during 2015/16, reductions were seen between Q1 and Q3 of over 5.0%. There was a spike in vehicle crime offences in particular during Q4 which has led to an overall increase for the year. Please note that the updated information from the Police shows a difference in figures to those previously recorded and so monthly figures for 2015/16 have been updated within P+ to reflect this. As such, the figures shown within the commentary sections in previous months may differ to the figures now shown.										
PP22 % Hackney Carriage and private hire vehicles inspected which comply with regulations (M)	51.86 %		66.99 %		69.61 %		70.00 %		Bigger is Better	
The target is low in reflection of actual experience. Many vehicles when checked have relatively minor defects such as worn tyres or non-functioning lights. The checks are followed up and subsequent compliance is very high (normally close to 100%).										
TCO05n Town Centre footfall (Q)	13,814,047		14,675,096		15,280,622		13,250,000		Bigger is Better	
The increase in town centre footfall can be attributed to numerous factors outside of NBC's control. However, it can be said 2-hour free parking, Saturday free parking, town centre events and opening Abington Street have all contributed to increasing footfall in the town centre. Footfall is challenging to predict as many factors such as Brexit (and political factors) weather, employment, shopping, road works, events will impact on numbers.										

Regeneration project updates	Current Progress
Delivery of the Northampton Waterside Enterprise Zone	★
Progressing to programme. We understand that NWEZ is one of the top performing EZ's in the UK.	
Development of the Greyfriars site	★
Demolition completed. Procurement exercise progressing. This project should result in a the development of a whole new 'quarter', making the Town Centre an even more attractive place to work, live, visit and enjoy.	
Restoration and regeneration of Delapre Abbey and Park	★
Project on target to complete within revised cost and programme parameters. When complete this project will attract additional visitors and tourists to Northampton.	
Delivery of the business incentive scheme and account management to key businesses	★
Business Incentive Scheme exceeded targets by committing £226,264 towards supporting 34 businesses, creating 125 jobs and leveraging £2,061,178 private sector investment throughout 2015-2016.	

YOU



Better homes for the futur

Creating empowered communitie

Promoting health and wellbein

Responding to your need

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 15/16)		Notes:
AHP01 Number of affordable homes delivered (Q)	232		225		138		250		Bigger is Better	
In terms of the reasons for under delivery a substantial number of housing sites are allocated in the adopted West Northamptonshire Joint Core Strategy Local Plan (Part 1), have planning permission or are under construction. This equates to more than 22,000 dwellings in the Borough and surrounding areas. However, the delivery of these sites (including affordable housing) is influenced by a range of factors including land prices, infrastructure, availability of development funding and the operation of the market. Many of these factors are beyond the Council's ability to influence. However, the Council works closely with a range of organisations to maximise opportunities for the provision of affordable housing including Registered Providers and developers.										
HML01 Total no. of households living in temporary accommodation (M)	60		67		66		70		Smaller is Better	
The number of households in temporary accommodation has reduced significantly following effective management action to speed up decision making, rehousing and the discharge of the Council's homelessness duty. It is anticipated that, as a result of these improvements, further reductions in the number of households in temporary accommodation will be achieved in 2016/17.										
HML05 Total no. of people sleeping rough on the streets (A)	9		19		25		10		Smaller is Better	
The total number of the people estimated to be sleeping rough in Northampton, for the purpose of the government count in November 2015, far exceeded the target. Further to the development and the implementation of Northampton's multi agency Rough Sleepers Strategy in early 2016/17, it is hoped that by the time of the next official rough sleepers count in November 2016, the number of people found bedded down on the night of the count will be less than 10.										
HML07 Number of households that are prevented from becoming homeless (M)	1,725		565		504		732		Bigger is Better	
Although a change in the way in which homelessness prevention is measured accounts for a substantial part of the very large reduction in the number of preventions between 2013/14 and 2014/15, welfare reform and a sharp rise in the rents charged for private rented accommodation have made it a lot more difficult to prevent homelessness. Although the target was not met in 2014/15 and 2015/16, it is hoped that the establishment of a social lettings agency and other initiatives will result in a lot more households being prevented from becoming homeless in 2016/17.										
HML09 Number of households for whom a full homelessness duty is accepted (M)	530		354		313		240		Smaller is Better	
Whilst the target for the number of homeless households who were accepted as statutorily homeless in 2015/16 was not met, the total number for the year is less than in the previous 2 years.										
HMO01 No. HMOs with Mandatory licence	?		229		321		376		Bigger is Better	
The number of mandatory HMO's licenced is 321, the target is 376. During January, February 2016, there was a new policy and fee structure developed and implemented which meant that the team were not actively chasing new applications.										
HMO08 No. of HMOs with an additional licence (Q)			163		435		500		Bigger is Better	
The number of additional HMO's licenced is 435, the target is 500. During January, February 2016, there was a new policy and fee structure developed and implemented which meant that the team were not actively chasing new applications.										

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 15/16)		Notes:
IG01 % LGO cases responded to within 28 days (excl. pre-determined cases) (Q)			90.0 %		100.0 %		95.0 %		Bigger is Better	
This is an internal target which gives an indication of team performance. The only reason these are separated from the FOI/EIR requests and LGO responses is that all 3 have different statutory response deadlines. When the new GDPR comes in on 25th May 2018 the target time will change to 1 month so it'll be 28, 29, 30 or 31 days depending on the month and year.										
IG03 % FOI/EIR cases responded to within 20 working days (M)			97.9 %		93.6 %		95.0 %		Bigger is Better	
There were a small number of late responses which meant the target 95% of request responses with 20 days was just missed. Some of the cases had agreed extensions which are possible under the Freedom of Information legislation. Some cases were delayed because of circumstance, such as some of the early Sixfields requests for contracts and agreements. 19 were 1 or 2 days late, many of these related to staff holidays or late clarifications to the data provided. There is no specific trend or single reason to put to this. 95% is a challenging target over 813 requests given the recent capacity issues within the team that are being addressed.										
IG04 % Subject Access requests responded to within 40 days (M)			96.7 %		96.6 %		95.0 %		Bigger is Better	
Consistently good performance slightly above the target set for the year.										
LT01 Total Visits to Leisure Centres (M)	931,329		1,018,631		1,005,618		1,010,813		Bigger is Better	
There has been slight improvement in the figures for 15/16										
LT02 Total No. of people enrolled in swimming program (M)	2,846		3,124		3,619		3,200		Bigger is Better	
Increased from 14/15 figures - exceeding target										
NI154 Net additional homes provided (A)	834.00		574.00		678.00		1,132.00		Bigger is Better	
In terms of the reasons for under delivery a substantial number of housing sites are allocated in the adopted West Northamptonshire Joint Core Strategy Local Plan (Part 1), have planning permission or are under construction. This equates to more than 22,000 dwellings in the Borough and surrounding areas. However, the delivery of these sites is influenced by a range of factors including land prices, infrastructure, availability of development funding and the operation of the market. Many of these factors are beyond the Council's ability to influence. However, the Council works closely with a range of organisations to maximise opportunities for the delivery of housing.										
PP16 % Off licence checks that are compliant (Q)			88.89		70.83		85.00		Bigger is Better	
This indicator reflects a relatively small sample size and so is subject to quite significant variance if the number of unsatisfactory premises increases. During 2015/16 the checks were mostly carried out as part of Community Safety Weeks of Action which target problem locations. Therefore, it is not unexpected to find non-compliance. The issues identified during the checks are dealt with by appropriate follow up action which may range from informal advice to review of the Licence.										

Measure ID & Name	2013-14 Outturn		2014-15 Outturn		2015-16 Outturn		2015-16 Target	Direction of Travel (14/15 to 15/16)		Notes:
PP53 % Service requests responded to within 3 working days (M)			86.55 %		89.64 %		93.00 %		Bigger is Better	
The target for first response has not been achieved due to significantly increased workload in respect to fly tipping / bin bag complaints and also to staff being engaged in a range of other projects.										

Appendices
2

AUDIT COMMITTEE REPORT

Report Title	Corporate debt – Progress and Age debt analysis

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 November 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To update Committee on the position regarding the Council's outstanding debts as at 30 September 2016.

2. Recommendations

2.1 To note the latest position in relation to the Council's outstanding debts as at 30 September 2016

2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

3.1.1 The Revenues and Benefits Service compile a corporate debt summary that monitors the % of debt not currently managed (inactive debt) within the Council. This has been in place for a number of years and provides assurance that all debt is managed to a high standard and not left idle. The % that is shown relates to debt that has fallen out of one status and is in the process of being moved to another stage. This summary also provides a view of the current status of debt.

3.1.2 Managed debt is where a debt type is within a specific set of clearly measureable criteria, and unmanaged debt is outside these criteria. An example of this is:

Criteria "Invoiced debt will be sent a reminder if it remains unpaid after 28 days". All debts invoiced and outstanding less than 29 days is "managed", any debt outstanding after 28 days, outstanding and not issued with a reminder is "unmanaged". The debt that has just had a reminder issued would then become subject to a new set of criteria for invoices at reminder stage, which it is measured against.

3.1.3 This principle supports the theory that managed debt is more likely to be paid, and more promptly. It can be applied to all stages in the life of a debt, how long a disputed debt is on hold, how long a debt is with enforcement agents, or how long it takes to through a legal process etc.

3.1.4 The process supports evidence gathering for process change and improvement, identifying blockages, removing hearsay and myth busting, and the write-off of irrecoverable debts at an earlier stage.

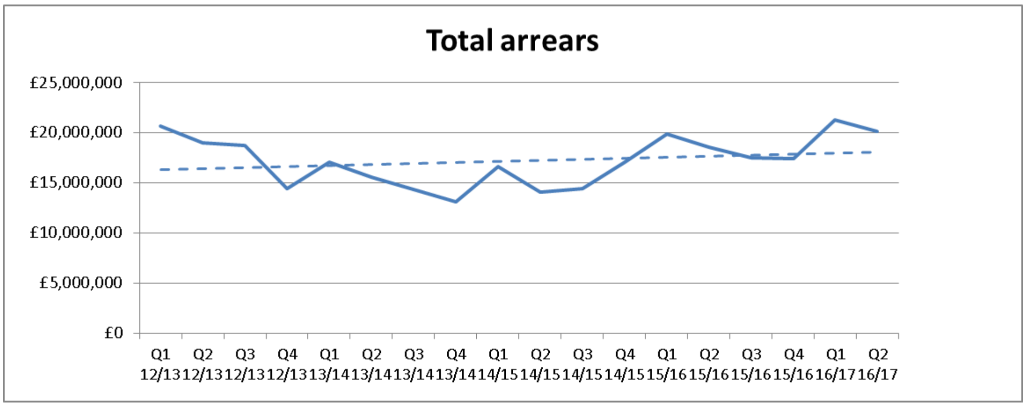
3.1.5 Each service area has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.

3.1.6 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5%.

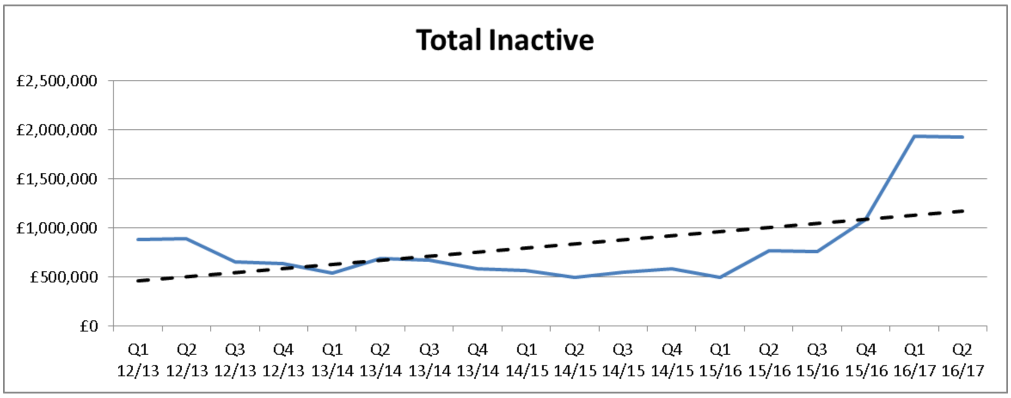
3.1.7 Six-monthly/Quarterly summaries for 2012/13, 2013/14 and 2014/15 can be found at **Appendix A**)

3.1.8 Quarterly summaries for 2015/16 and 2016/17 to date can be found at **Appendix B**)

3.1.9 <u>Overall debt levels as at 30th September 2016</u>

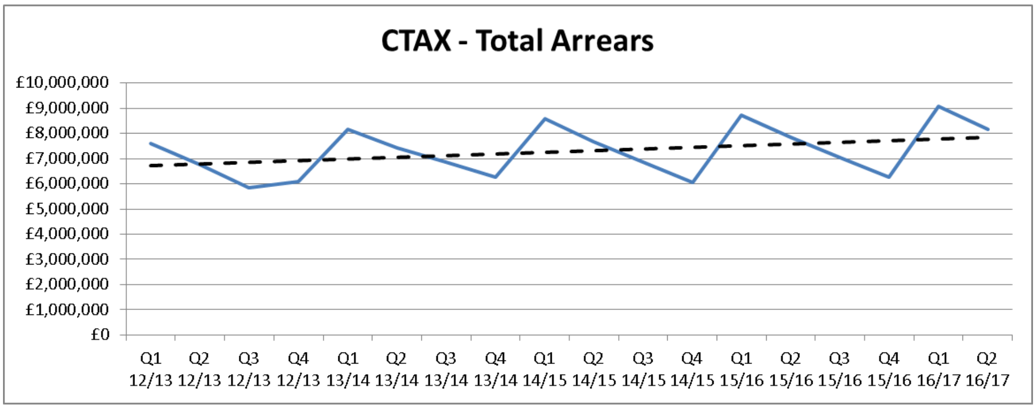


The overall outstanding arrears have increased by £1,592k compared to the same point last year. Please see individual debt types for explanation of increase.

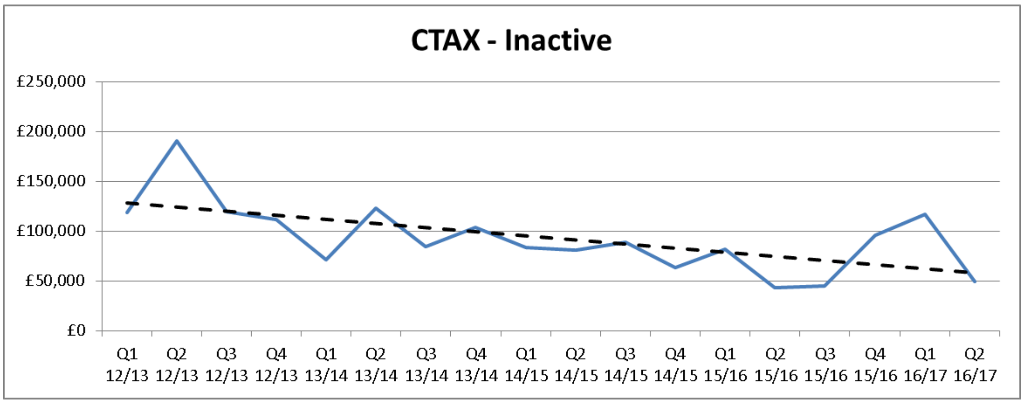


Unmanaged debt is £1,158k more than the same time last year. The majority of unmanaged debt within the Council sits within Asset Management, and is currently standing at £1.4m. The Asset management debt type is the collection and recovery of the commercial rent and any associated insurance, for council land and buildings. This does not include the Council's housing stock.

3.1.10 Council Tax as at 30th September 2016



The overall outstanding arrears are £310k more than at the same point last year, which is due to an increase in the Council Tax charge in 2016/17 and a reduction in the 2016/17 Council Tax Reduction Scheme.



Unmanaged debt is £6k greater than the same time last year, however the amount of debt collected against arrears is £364k higher during this financial year.

The continued introduction of Welfare Reforms continue to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.

The table below provides some context around the impact that the welfare reforms are having on both our service users and the service.

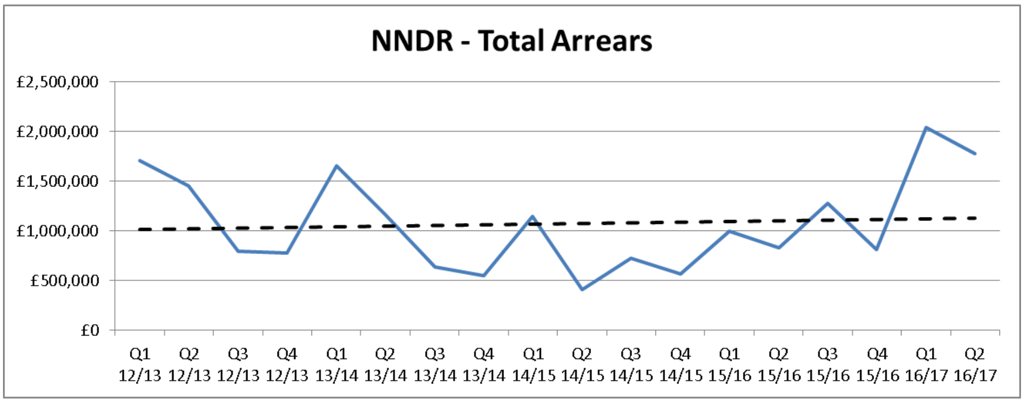
The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.

An Attachment of Benefit (AOB) is a deduction from a debtor’s benefit, which can only be made after a liability order has been granted. The current rate is £3.70 per week.

Special Arrangements (SPARs) are non-statutory arrangements made on accounts where a summons has been issued and a customer has agreed to repay the debt over a period of time, based on their personal circumstances.

In-year collection rate	56.39%	30/09/2016	56.75%	30/09/2015
Annual CTRS award	£10.9m	16/17	£11.8m	15/16
Uncollected liability CTRS cases	£2.3m	30/09/2016	£2m	30/9/15 adj
CTRS caseload	15,895	31/08/2016	16,868	30/09/2015
AOB cases	£1,127,566	30/09/2016	£846,954	30/09/2015
Monthly amount collected on AOB	£27.7k	30-Sep-16	£26.8k	30/09/2015
AOB hold	£640,382	30/09/2016	£334,851	30/09/2015
SPARs	£1,991,465	31/08/2016	£1,637,666	30/09/2015
Reminders & Finals issued	35,361	30/09/2016	33,340	30/09/2015
Summons	7,435	30/09/2016	5,898	30/09/2015

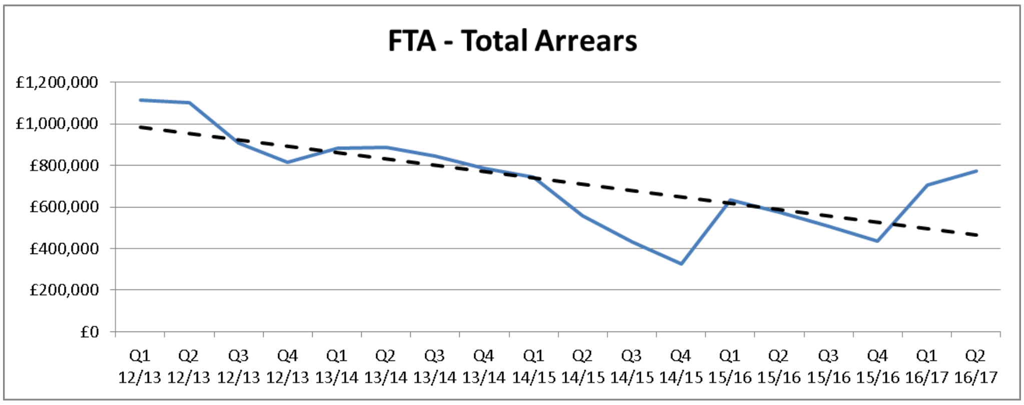
3.1.11 Business Rates (NNDR) as at 30th September 2016



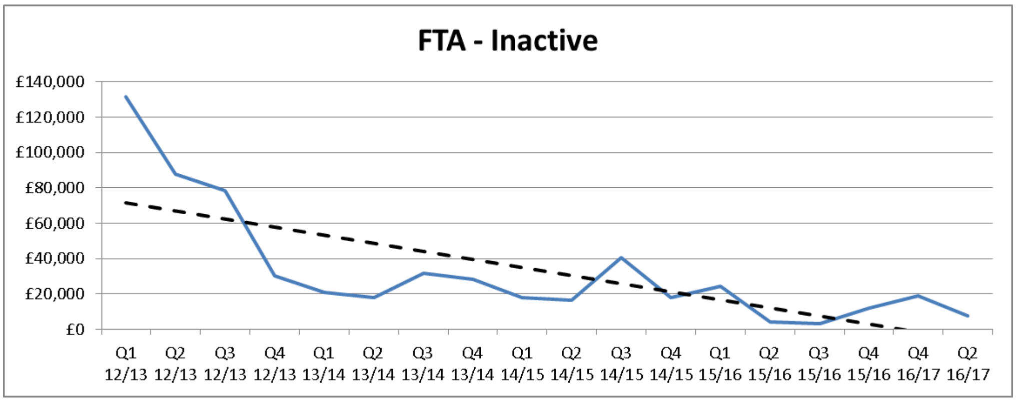
The overall outstanding arrears are £947k more than at the same point last year. This is primarily due to an increase the 15/16 business rates multiplier and one business which had a backdated account. This is expected to be paid by the end of March 2017.

Unmanaged debt remains unchanged in NNDR as all accounts continue to be monitored on a monthly basis, due to the low number and high value of cases.

3.1.12 Former Tenant Arrears (FTA) as at 30th September 2016

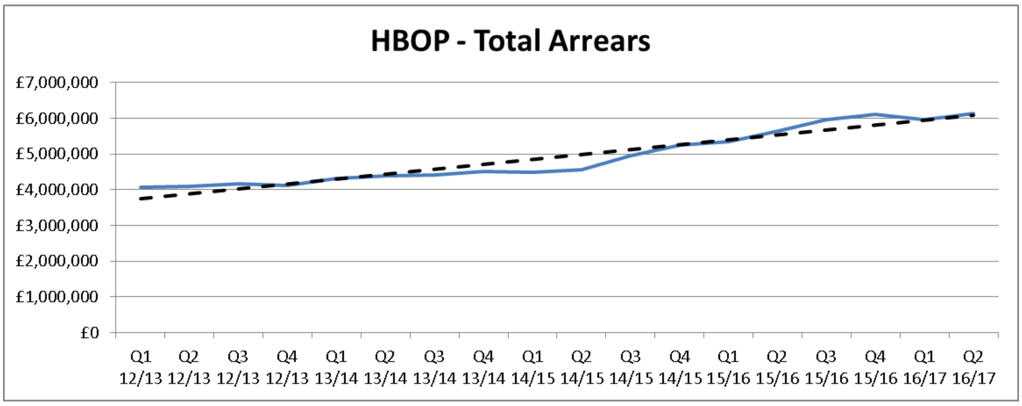


The overall outstanding arrears are £200k more than at the same point last year. This is due to a rise in the number of evictions, absconders and other terminations of tenancy.



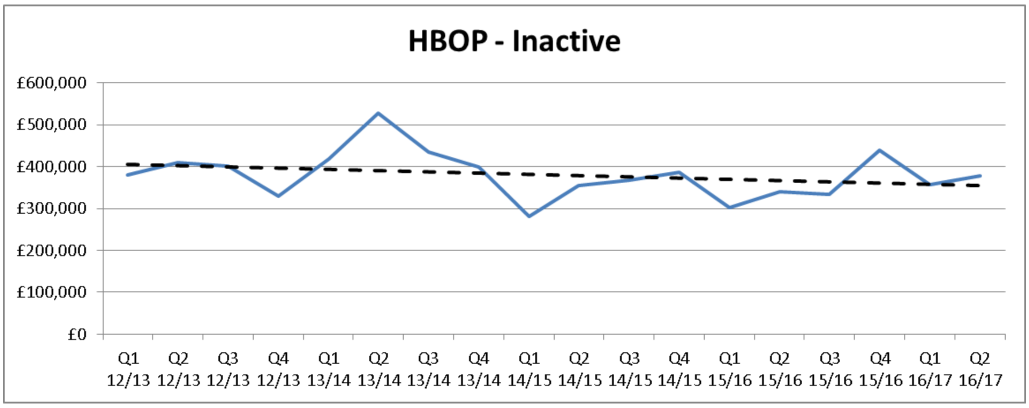
Unmanaged debt is £4k more than the same time last year, and the amount of unmanaged debt continues to remain consistently low.

3.1.13 <u>Housing Benefit Overpayments Payments (HBOP) as at 30th September 2016</u>



The overall outstanding arrears are £105k more than at the same point last year. This increase is in line with the national trend for overpayments and relates to the Department for Work and Pensions ongoing initiatives to identify overpayments. These two schemes, “Real Time Information” and “Fraud and Error Reduction Incentive Scheme”, are being fully supported in Northampton and the Council receives an incentive payment for the successful identification and reduction of error.

The current performance by our teams has reduced the impact on the Council of these new overpayments. By focusing resource on this debt has the team have supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult to collect due to the limited recovery methods available to us, and the economic climate.

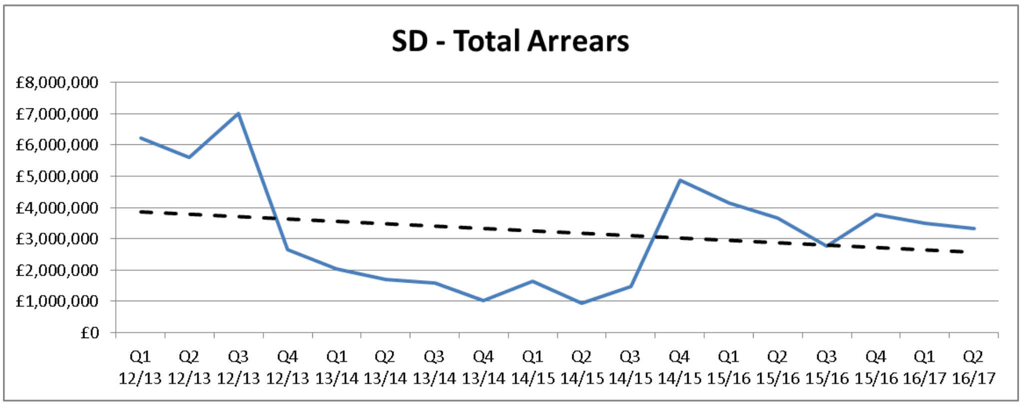


Unmanaged debt is £36k more than the same time last year, but as a proportion of the outstanding balance remained the same over the same period.

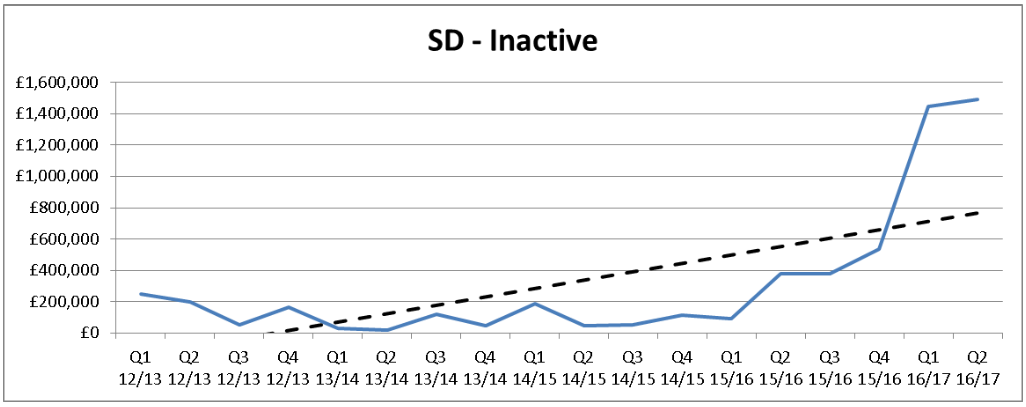
The national Welfare Reform measures underway are increasing the pressure on individual debtors and their ability to pay debts. Housing benefit overpayments are deemed as a lower priority, as per the Corporate Debt policy, when compared to other debt types, and arrangements tend to be small amounts over a long period of time.

We have also seen an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

3.1.14 Sundry Debts (SD) as at 30th September 2016



The overall outstanding arrears are £347k more than at the same point last year.



The unmanaged debt is £1,112k more than the same time last year. The majority of this is controlled within individual service areas in the Council. The unmanaged debt controlled by the Revenues and Benefits Service is approximately £10k.

To allow some context around where the unmanaged debt is sitting within the council is detailed below.

Summary Managed Debt Report as a % of No. of Items as at 30/09/2016

	Level 4 Analysis (Number)			Level 4 Analysis (£)			Level 4 Analysis (%)		
	Managed	Unmanaged	Total	Managed	Unmanaged	Total	Managed	Unmanaged	Total
Asset Management	3	191	194	846	1391360	1392206	0.06%	99.94%	93.95%
Call Care	5	31	36	732	2966	3698	19.81%	80.19%	0.25%
Car Parks	0	20	20	0	51086	51086	0.00%	100.00%	3.45%
Environmental Health	0	13	13	0	2995	2995	0.00%	100.00%	0.20%
Exchequer Section	0	7	7	0	16249	16249	0.00%	100.00%	1.10%
Insurance	0	9	9	0	2855	2855	0.00%	100.00%	0.19%
Licensing	2	36	38	90	12549	12639	0.71%	99.29%	0.85%
Market Office	0	2	2	0	131	131	0.00%	100.00%	0.01%
	10	309	319	1668	1480191	1481859	0.11%	99.89%	100.00%

Level 4 debt is debt that has received an invoice, reminder and a second reminder/final notice and the later stages of the recovery process is managed within the individual service areas.

A significant part (£1,080k including VAT) of the unmanaged debt in the asset management debt type relates to County Developments (Northampton) Ltd, which is currently part of the Council's on-going discussions with the Liquidators.

3.2 Issues

3.2.1 The managed debt analysis and commentary to 30 September are contained within this report.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's debt position enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial position and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 Other Implications

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

5. Background Papers

5.1.1 Not applicable

Ian Tyrer, Revenues Manager, Extension 7451

Appendix A

YEAR on YEAR PERFORMANCE	2012/13		2013/14		2014/15			
	SEP	MAR	SEP	MAR	JUN	SEP	DEC	MAR
TOTAL ARREARS	**18,990,764**	**14,448,119**	**15,552,879**	**13,133,970**	**18,208,120**	**14,124,390**	**14,440,723**	**17,079,190**
Total Awaiting Action	889,537	635,627	686,348	578,997	567,258	499,008	550,951	580,064
Managed Debt	18,101,227	13,812,492	14,866,531	14,052,291	17,640,862	13,625,382	13,889,772	16,499,126
% unmanaged debt [PI]	**4.68%**	**4.40%**	**4.41%**	**4.41%**	**3.12%**	**3.53%**	**3.82%**	**3.40%**
CTAX	6,748,461	6,090,189	7,430,390	6,281,511	8,597,465	7,664,327	6,851,511	6,053,552
unmanaged debt	190,988	111,528	123,521	103,752	83,329.16	81,410	89,457	63,263
managed debt	6,557,474	5,978,660	7,306,869	6,177,759	8,514,136	7,582,917	6,762,054	5,990,289
unmanaged debt	**2.83%**	**1.83%**	**1.66%**	**1.65%**	**0.97%**	**1.06%**	**1.31%**	**1.05%**
NNDR	1,454,169	776,782	1,162,504	543,491	1,148,540	407,858	721,649	568,644
unmanaged debt	0	0	0	0	0	0	0	0
managed debt	1,454,169	776,782	1,162,504	543,491	1,148,540	407,858	721,649	568,644
unmanaged debt	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
FTA	1,101,424	814,503	886,670	784,750	742,327	557,708	429,510	328,049
unmanaged debt	87,568	30,016	17,649	28,324	18,007	16,431	40,378	17,761
managed debt	1,013,856	784,487	869,021	756,426	724,320	541,277	389,132	310,288
unmanaged debt	**7.95%**	**3.69%**	**1.99%**	**3.61%**	**2.43%**	**2.95%**	**9.40%**	**5.41%**
HBOP	4,090,115	4,122,698	4,381,953	4,515,411	4,489,715	4,555,039	4,960,760	5,243,926
unmanaged debt	409,456	328,701	528,023	399,861	280,033	355,323.49	366,800	386,239
managed debt	3,680,659	3,793,997	3,853,930	4,115,550	4,209,682	4,199,716	4,593,960	4,857,687
unmanaged debt	**10.01%**	**7.97%**	**12.05%**	**8.86%**	**6.24%**	**7.80%**	**7.39%**	**7.37%**
Sundry Debt	5,596,594	2,643,948	1,691,362	1,008,807	1,645,384	939,457.37	1,477,293	4,885,020
unmanaged debt	201,526	165,382	17,155	47,060	185,889	45,844.00	54,316	112,802
managed debt	5,395,068	2,478,566	1,674,207	961,747	1,459,495	893,613	1,422,977	4,772,218
unmanaged debt	**3.60%**	**6.26%**	**1.01%**	**4.66%**	**11.30%**	**4.88%**	**3.68%**	**2.31%**

Appendix B

YEAR on YEAR PERFORMANCE	2015/16				2016/17			
	JUN	SEP	DEC	MAR	JUN	SEP	DEC	MAR
TOTAL ARREARS	**19,855,282**	**22,074,394**	**17,509,123**	**17,405,921**	**21,260,224**	**20,164,989**		
Total Awaiting Action	498,052	552,182	761,254	1,084,977	1,939,333	1,924,839		
Managed Debt	19,357,231	21,522,212	16,747,869	16,320,944	19,320,891	18,240,150		
% unmanaged debt [PI]	**2.51%**	**2.50%**	**4.35%**	**6.23%**	**9.12%**	**9.55%**		
CTAX	8,739,169	7,857,713	7,021,084	6,280,780	9,060,403	8,167,738		
unmanaged debt	81,903	43,391	44,952	96,208	117,343	49,717		
managed debt	8,657,265	7,814,322	6,976,133	6,184,572	8,943,060	8,118,021		
unmanaged debt	**0.94%**	**0.55%**	**0.64%**	**1.53%**	**1.30%**	**0.61%**		
NNDR	991,831	830,958	1,275,782	807,217	2,043,502	1,777,515		
unmanaged debt	0	0	0	0	0	0		
managed debt	991,831	830,958	1,275,782	807,217	2,043,502	1,777,515		
unmanaged debt	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		
FTA	635,801	573,762	507,991	435,545	707,552	773,435		
unmanaged debt	24,097	4,015	3,245	11,925	18,740	7,560		
managed debt	611,704	569,747	504,746	423,620	688,812	765,875		
unmanaged debt	**3.79%**	**0.70%**	**0.64%**	**2.74%**	**2.65%**	**0.98%**		
HBOP	5,356,015	5,645,801	5,950,555	6,094,450	5,966,582	6,127,991		
unmanaged debt	302,154	340,936	334,247	439,155	356,826	377,010		
managed debt	5,053,861	5,304,865	5,616,308	5,616,308	5,609,756	5,750,982		
unmanaged debt	**5.64%**	**6.04%**	**5.62%**	**7.21%**	**5.98%**	**6.15%**		
Sundry Debt	4,132,467	7,166,160	2,753,711	3,787,929	3,482,185	3,318,311		
unmanaged debt	89,897	163,839	378,810	537,689	1,446,423	1,490,553		
managed debt	4,042,570	7,002,321	2,374,900	3,250,240	2,035,762	1,827,758		
unmanaged debt	**2.18%**	**2.29%**	**13.76%**	**14.19%**	**41.54%**	**44.92%**		

Appendices
A: LGSS Auditor Report

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal Audit (LGSS) Progress Update

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14th November 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the current plan of internal audit work being carried out by LGSS, and any proposed changes or areas needing further consideration.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 LGSS Internal Audit are the 'in house' internal audit service providing assurance to LGSS management on risks and issues surrounding any systems operated by, or services provided by LGSS.

3.1.2 One of the outstanding recommendations from the external audit ISA260 report related to the provision of internal audit services. Finance staff have met with both internal audit providers (LGSS and PwC) to discuss coverage of their audit plans and ensure a co-ordinated approach. This has helped to shape the Internal Audit work plans, and is reflected in the report shown in **Appendix A**.

3.2 Choices (Options)

3.2.1 The report is just for noting, however audit committee have the opportunity to ask questions direct to the auditors.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 Both LGSS Internal Audit and LGSS Finance have discussed with PwC areas of audit work coverage.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

REPORT TO AUDIT COMMITTEE

NORTHAMPTON BOROUGH COUNCIL

14 NOVEMBER 2016

LGSS INTERNAL AUDIT 2016-17

Background

Many financial activities transferred from Northampton Borough Council to LGSS during the 2013/14 financial year. It was agreed with the S151 Officer and the council's internal auditors (PwC) that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work relating to LGSS functions, whilst PwC would continue to audit those aspects which remain in the direct control of the council. This approach was used each year and we have worked with PwC to plan and undertake our work to enable us to provide the assurance opinions, whilst minimising duplication of work.

2016-17 Audits - LGSS

Since the conclusion of our 2015-16 audit we have met with the NBC Section 151 Officer and the PwC internal auditors to plan the work to be undertaken in 2016-17. As part of the planning we have reviewed system diagrams to ensure that they accurately record the systems and in particular those part which require audit by LGSS Internal Audit and those falling under the responsibility of PwC internal auditors. Further work is taking place to finalise arrangements of the split with PwC. We have also followed up the agreed actions from the 2015-16 audit to confirm that implementation is complete or on track.

Having considered the work undertaken in 2015-16, the issues arising from the external audit ISA260 report and the requirements of the NBC Section 151 Officer we have devised a draft plan of audit work to provide 3rd party assurance to NBC on the key financial processes operated by LGSS.

The following audits are proposed to be undertaken by LGSS internal audit for 2016-17:

- Accounts Receivable
- Accounts Payable
- Payroll, including review of actions on data quality
- General Ledger
- IT System access – ICON and IBS
- Controls and processes for issuing loans
- Council Tax (High level controls)
- NNDR (High level controls)
- Housing Benefits (High level controls)

We work closely with PwC internal auditors to provide adequate assurance without duplication of effort. Audits of Accounts Receivable, Accounts Payable and Payroll are shared between LGSS and PwC internal audit to ensure complete coverage.

Timescale

This work is timetabled to commence in December and be completed in January to provide timely assurance for all stakeholders including the Chief Finance Officer, the Audit Committee and the external auditors.

Appendices
A: PwC Auditor Report

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal Audit (PwC) Progress Update

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14th November 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the current progress of internal audit work being carried out by PwC against the workplan, and any proposed changes or areas needing further consideration.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of their engagement as internal auditors PwC provide regular updates to the Audit Committee of progress against planned work and any issues during the year.

3.2 Choices (Options)

3.2.1 The report is just for noting, however audit committee have the opportunity to ask questions direct to the auditors.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 Both LGSS Internal Audit and LGSS Finance have discussed with PwC areas of audit work coverage.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

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Internal Audit Progress Report

Northampton Borough Council

November 2016

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For information	Audit Committee

Introduction

Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

2016/17 Internal Audit Plan Progress

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have continued our Internal Audit fieldwork and are pleased to report work has concluded in the following areas:

- Disabled Facilities Grant
- Environmental Services

We also have work planned and ongoing in the following areas:

- Risk Management;
- Northampton Town Football Club;
- Economic Development & Regeneration;
- Planning;
- Environmental Health & Licencing;
- Environmental Services; and
- Customers & Cultural Services.
- Housing Options;
- Private Sector Housing; and
- Partnerships and Communities.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 108.5 days of the planned audit days.

Changes to the 2016/17 Internal Audit Plan

To ensure that our 2016/17 Internal Audit Plan remains suitable and appropriately responds to the Council's current risks we have reviewed the Internal Audit Plan with the Monitoring Officer during October. We have agreed to make the following changes:

Ref	Auditable Unit	Audit days	Comments
A1	Contract management: LGSS review	(20)	This review was intended to look at the resources in place within LGSS to compare the level of charges with the Council's understanding of the services being received. Since the Council has given notice on these elements of the LGSS contract this review will

			no longer take place and the days will be utilised to support alternative internal audit work.
A3	Business Continuity	(10)	This review planned to review the business continuity arrangements. However, officers have requested that we use the allocated audit days to provide advice and assistance in refreshing current plans.
A4	Governance: Corporate Policy	(10)	This review planned to review the processes for updating policies and ensuring ongoing compliance. However, officers have requested that we use the allocated audit days to support alternative internal audit work.
A5	Performance Management	(10)	This review planned to review the performance monitoring arrangements. The Council is currently building new outturn reports, resetting KPIs, targets and following up on reporting and accountability for service performance processes. Until this process is fully embedded this review will be deferred.
C1	Directorate governance: Borough Secretary	(10)	This review planned to review the controls in place to ensure governance and accountability within the Borough Secretary Directorate. However, officers have requested that we use the allocated audit days to support alternative internal audit work.
A6	Northampton Town Football Club	50	Additional time taken to complete the review examining the internal arrangements within the Council for managing Northampton Town Football Club loan and providing lessons learnt.
	Payroll controls	5	When payroll transfers from LGSS to NBC from 1st January 2017 we will perform testing on the key payroll process and controls in operation during the final quarter of the financial year.
	Total audit days	(5)	

Once the NTFC report has been finalised we will assess the governance issues highlighted and identify where targeted internal audit support can support the Council's improvements around governance and project management. We will utilise the available days to deliver this work.

Activity and progress

Final reports

Since our previous Internal Audit Progress Report, we have issued final reports for the following reviews performed in accordance with the 2016/17 Internal Audit Plan:

- Disabled Facilities Grant – this review was not classed as an assurance review therefore there is no overall report rating or scored recommendations.
- Environmental Services - this review was not classed as an assurance review therefore there is no overall report rating or scored recommendations.

We have summarised the main findings from the reports below:

Disabled Facilities Grant

We identified the following findings following conclusion of our testing:

- **Service fees:** 15 of the 25 in year transactions included in our sample related to service fees. It is understood that a 15% fee is applied to all invoices relating to the cost of the Council administering the DFG scheme;
- **Committed expenses:** One of the five committed expenses included in our sample was incorrectly recorded as an accrual and actually related to an invoice which had already been paid;
- **Capital nature of works:** One of 25 in year transactions included in our sample has a description which states "Unspecified work, to be carried out at referenced address". The evidence provided to demonstrate the capital nature of works does not directly relate to this invoice; and
- **Cut off:** Two of the 25 in year transactions included in our sample relates to invoices which are dated before the 2015/16 year commences.

Environmental Services

We have reviewed the governance and decision making processes in place supporting the Council's assessment of the re-provisioning of its environmental services. We made some recommendations in relation to:

- Governance processes
- Visibility of financial assumptions
- Commissioning costs and assumptions
- Qualitative decision making process

Our overall conclusion is that the governance processes in place around this stage of the project is considered robust, although as the project moves into the next stages of implementation and mobilisation, it will be important that these are sustained.
It is also important that there is sufficient clarity over the information used to support the decision around the preferred commissioning option. This includes ensuring that there is visibility over the assumptions used to drive the cost modelling, that the qualitative assessment truly reflects the Council's requirements of the service and that appropriate consideration is given to the respective risks and opportunities presented by each commissioning option. These factors were not all clear to the Programme Board at the time of our review.

Ongoing fieldwork

Work is progressing in the following areas:

Risk Management

Our work is ongoing in this area and we are working with management to agree a way forwards.

Northampton Town Football Club

The fieldwork is complete and we have drafted the report. We met with the Chief Executive, Leader, Monitoring Officer and Section 151 Officer on the 2 November to review the factual accuracy of our findings following an update to the report. We have met with Northamptonshire Police on the 7 November and KPMG, the external auditors, on the 9 November to discuss our findings. We will seek to finalise the report as soon as possible. Once the report is finalised, we understand that a specially convened Audit Committee is likely to be held to share the findings of the report.

Planned fieldwork

Work is planned in the following areas:

- **Economic Development & Regeneration, Planning, Environmental Health & Licencing, Housing Options, Private Sector Housing and Partnerships & Communities:** scoping meetings have been held during August and September with terms of reference drafted and agreed with management. We are in the process of finalising the dates for fieldwork to commence during November – March;
- **Customer & Cultural Services:** work is ongoing to draft a scope of work and agree this with management.

We held a meeting with LGGS Finance and LGSS Internal Audit during September 2016 to review the current allocation of controls testing to ensure that our internal audit plans were aligned and provided an adequate level of assurance to satisfy the Council. We are currently working with officers and the LGSS Internal Audit function to ensure this process is finalised. It has been indicated that the following areas require further consideration not currently included in our internal audit plan:

- Systems access;
- Review considering the controls and processes for issuing loans;
- Payroll controls testing for quarter 4;
- Review documented process map around asset valuations once prepared in January 2017; and
- Consider need for a review of performance monitoring and KPIs

Appendix 1: Detailed progress tracker

Ref	*Auditable Unit*	*Indicative number of audit days**	*Actual audit days to date*	*Proposed fieldwork dates*	*Scoping meeting date*	*Proposed draft report date*	*Proposed manageme nt response date*	*Proposed final report date*	*Audit Committee reporting date*
A1	Contract management: LGSS review	20	-	Q1-2	Removed from the Internal Audit Plan				
A2	Risk management	10	7	Q1-2	Work ongoing from 15/16				
A3	Business Continuity	10	-	Q3	Removed from the Internal Audit Plan				
A4	Governance: Corporate Policy	10	-	Q3	Removed from the Internal Audit Plan				
A5	Performance Management	10	-	Q3	Removed from the Internal Audit Plan				
A6	NTFC	10	60	Q1	Work ongoing from 15/16	August 2016	September 2016	November 2016	November 2016
B1	Economic development and regeneration	10	1.5	Q4	1st August 2016	December 2016	December 2016	January 2017	January 2017
B2	Planning	10	1.5	Q3	1st August 2016	December 2016	January 2017	January 2017	January 2017
C1	Directorate governance: Borough Secretary	10	-	Q2	Removed from the Internal Audit Plan				
D1	Environmental Health and Licencing	10	1.5	Q3	1st August 2016	December 2016	December 2016	December 2016	January 2017
D2	Environmental services	10	8.5**	Q3	1st August 2016	September 2016	October 2016	October 2016	October 2016

D3	Customers and cultural services	10	1.5	Q3	1st August 2016	TBC	TBC	TBC	TBC
E1	Housing options	10	1	Q2	28th September 2016	December 2016	December 2016	January 2017	January 2017
E2	Private Sector Housing	10	1	Q2	28th September 2016	March 2017	June 2017	June 2017	June 2017
E3	Partnerships and Communities	10	1	Q3	28th September 2016	March 2017	June 2017	June 2017	June 2017
F1	Internal audit management	20	15	Q1-4	NA	NA	NA	NA	NA
F2	Contingency	20	13	Q1-4	August 2016	September 2016	September 2016	September 2016	November 2016
	Total audit days	200	108.5						

** Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*

*** Review delivered using specialist internal audit day rate.*

Appendix 2: Previous internal audit reports

The following table identifies internal audit reports we have issued over the past six years. The full reports are available to all senior officers using our online TrAction tool which includes details of the specific findings. We are working with officers to review the outstanding internal audit recommendations and to make sure that appropriate people within the Council take ownership for implementing internal audit recommendations, especially where the original audit sponsor is no longer in place.

Reference	Title	Audit Year	Department	Audit Sponsor
NBC.16.17.DFG	Disabled Facilities Grant	2016/17	Finance	Glenn Hammons
NBC.16.17.ES	Environmental Services report	2016/17	Communities & Environment	David Kennedy, Francis Fernandes, Glenn Hammons, Julie Seddon
NBC.15.16.LGSS	LGSS contract review	2015/16	Finance	David Kennedy, Francis Fernandes, Glenn Hammons, Julie Seddon, Marion Goodman
NBC.15.16.SEC151	Scope and Effectiveness of the Section 151 Officer arrangement	2015/16	Finance	David Kennedy, Francis Fernandes, Glenn Hammons
NBC.14.15.DP	Data Protection	2014/15	Borough Secretary	Francis Fernandes, Glenn Hammons
NBC.14.15.DRCC	Directorate review: Customers and Communities	2014/15	Customer & Cultural Services	Francis Fernandes, Julie Seddon, Marion Goodman
NBC.14.15.DRREP	Directorate Review: Regeneration, Enterprise and Planning	2014/15	Major Projects & Enterprise	Francis Fernandes, Steve Boyes
NBC.14.15.ECM	Environmental Contract Management	2014/15	Communities & Environment	Francis Fernandes, Glenn Hammons

NBC.14.15.FD	Financial Delegations	2014/15	Finance	David Kennedy, Francis Fernandes, Glenn Hammons
NBC.14.15.GG	Good Governance	2014/15	Borough Secretary	Francis Fernandes, Glenn Hammons
NBC.13.14.AM	Asset Management	2013/14	Finance	Glenn Hammons
NBC.13.14.BC	Budgetary Control	2013/14	Finance	Glenn Hammons
NBC.13.14.Creditors	Creditors	2013/14	Finance	Glenn Hammons
NBC.13.14.Debtors	Debtors	2013/14	Finance	Glenn Hammons
NBC.13.14.DPC	Delapre Park Concerts	2013/14	Customer & Cultural Services	Francis Fernandes
NBC.13.14.DR	Debt Recovery	2013/14	Finance	Glenn Hammons
NBC.13.14.HA	Housing Allocations	2013/14	Strategic Housing	Fran Rogers
NBC.13.14.HousingRents	Housing Rents	2013/14	Landlord Services	Richard Birchett
NBC.13.14.IBSCreditors	IBS Creditors	2013/14	Landlord Services	Richard Birchett
NBC.13.14.PASR	Planning Application Software Review	2013/14	Customer & Cultural Services	Sue Bridge
NBC13.14	Fixed assets	2013/14	Finance	Glenn Hammons
NBC13.14 AM	Absence Monitoring	2013/14	Finance	Glenn Hammons
NBC13.14 BIP	Bus interchange project	2013/14	Major Projects & Enterprise	Glenn Hammons
NBC13.14 CF	Collection Fund	2013/14	Finance	Glenn Hammons
NBC13.14 EHP	Empty Homes Programme	2013/14	Finance	Glenn Hammons
NBC13.14 ES	Environmental Services - Performance Monitoring	2013/14	Communities & Environment	Glenn Hammons
NBC13.14 ICT	ICT - Bring your own devices	2013/14	Finance	Glenn Hammons
NBC13.14 TM	Treasury Management	2013/14	Finance	Glenn Hammons

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NBC.AFH.1213	Anti-Fraud Health Check follow up review	2012/13	Finance	Glenn Hammons
NBC.BC.1213	Budgetary Control	2012/13	Finance	Glenn Hammons
NBC.CFS.1213	Core Financial Systems	2012/13	Finance	Glenn Hammons
NBC.CoI.1213	Conflicts of Interest	2012/13	Borough Secretary	Francis Fernandes
NBC.CT.1213	Council Tax	2012/13	Strategic Housing	Fran Rogers
NBC.DH.1213	Decent Homes Contract Review follow up	2012/13	Landlord Services	Richard Birchett
NBC.DR.1213	Debt Recovery	2012/13	Finance	Glenn Hammons
NBC.E.1212	Equalities	2012/13	Borough Secretary	Francis Fernandes
NBC.ESC.1213	Environment services contract follow up review	2012/13	Communities & Environment	Steve Elsey
NBC.FA.1213	Fixed Assets	2012/13	Finance	Glenn Hammons
NBC.HA.1213	Housing Allocations	2012/13	Strategic Housing	Fran Rogers
NBC.HB.1213	Housing Benefits	2012/13	Strategic Housing	Fran Rogers
NBC.HR.1213	Housing Rents	2012/13	Strategic Housing	Fran Rogers
NBC.IBSC.1213	IBS Creditors	2012/13	Finance	Glenn Hammons
NBC.LT.1213	Leisure Trust contract follow up review	2012/13	Communities & Environment	Steve Elsey
NBC.MS.1213	Museums Security	2012/13	Customer & Cultural Services	Julie Seddon
NBC.NNDR.1213	NNDR	2012/13	Strategic Housing	Fran Rogers
NBC.PVP.1213	Potentially Violent People	2012/13	Communities & Environment	Steve Elsey
NBC.RM.1213	Risk Management.	2012/13	Major Projects & Enterprise	Steve Boyes
NBC.SH.1213	Strategic Housing: Accounting for grant income	2012/13	Strategic Housing	Fran Rogers

NBC.SSTP.1213	Shared services transition planning	2012/13	Borough Secretary	Francis Fernandes
NBC.VM.1213	Voids Management follow up review	2012/13	Landlord Services	Richard Birchett

Appendices

A: Annual Audit Letter
B: KPMG Technical report
C: KPMG Briefing Papers : Reimagine Local Government

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	External Audit (KPMG) Annual Audit Letter and Technical Report/Briefing Papers

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14th November 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the key findings and recommendations following external audit work carried out by KPMG on the statement of accounts.

1.2 To inform the Audit Committee of technical issues identified by KPMG, and also a series of briefing papers on issues affecting Local Government.

2. Recommendations

2.1 It is recommended that the Audit Committee note the annual audit letter which confirmed that the audit did not identify any significant audit differences in the accounts which meant an unqualified opinion on the statements, that a qualified opinion was issued on value for money as anticipated, and the additional recommendation relating to business rate provisions.

2.2 It is recommended that the Audit Committee note the technical update paper, and the series of general briefing papers.

3. Issues and Choices

3.1 Report Background

3.1.1 The external auditors KPMG provide an annual audit report following completion of the end of year audit. This report picks up on key issues from the ISA260 report and any further issues or developments identified during the finalisation of the audit, and prior to the signing of the audit opinion.

3.1.2 The ISA260 indicated that an unqualified opinion was likely on the key financial statements, and following the completion of the audit work this was confirmed in the annual audit letter.

3.1.3 The ISA260 indicated that a qualified opinion was likely in regards to value for money relating to the review of loans issued to third parties. The annual audit letter has confirmed this opinion.

3.1.4 The annual audit letter also included an additional recommendation relating to the estimation of appropriate provisions for business rate appeals. This is an area the council continues to review and refine, and will be including as part of its ISA260 action plan.

3.1.5 KPMG have also provided one of their regular technical update reports, and a series of briefing papers on issues affecting Local Government – Reimagine Local Government.

3.2 Choices (Options)

3.2.1 The report and briefing papers are just for noting, however Audit Committee have the opportunity to ask questions directly to the auditors on anything contained in their report, and issues around the external audit process. They also have the opportunity to question management on any of the issues raised.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
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Annual Audit Letter 2015/16

Northampton Borough Council

October 2016

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at Northampton Borough Council (the ‘Authority’) in relation to its 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority’s website.

Value for money

Based on the work carried out on the Authority's 2015/16 value for money (VFM) risk areas, the Authority did not put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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VFM conclusion

We issued an adverse conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 28 September 2016. We have concluded that the Authority has not made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements which the Authority has put in place to mitigate these risks.

Our work identified the following significant matters:

VFM risk 1: Northampton Town Football Club loan

- In July 2013, the Authority approved in principle a loan to Northampton Town Football Club (NTFC) to carry out works to improve stadium facilities at Sixfields and to develop an adjoining hotel. A total of £10.25 million was drawn down by NTFC in various tranches, beginning in September 2013. Of the £10.25 million, £31,000 has been repaid to the Authority.
- Following failure by NTFC to make due payments on the loan interest between May and September 2015, the Authority exercised its rights under the loan agreement and required immediate repayment of the outstanding £10.22 million. The Authority has since written-off the outstanding loan and have undertaken actions to recover this fund. In November 2015, Cabinet approved £450,000 to finance the cost of recovering the lost monies. These funds have now either been spent or committed. On 13 July 2016, Cabinet agreed to allocate an additional amount up to £500,000 to continue its efforts into recovering lost funds.
- Our review into the circumstances surrounding the loan as well as subsequent actions undertaken is not yet complete due to the on-going police investigation. We have considered the information and findings arising to date from our review as part of our VFM conclusion. However, we are unable to comment further on the findings of this specific review until our work is complete. This work will also address the issues contained within the objection received on the financial statements in relation to the NTFC loan. Due to the circumstances surrounding the loan and the ultimate loss of £10.22 million of taxpayers' money by the Authority, we are not satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to loans is adequate. We have thus issued an adverse VFM conclusion.

VFM risk 2: Financial resilience

- Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. At a local level, this is compounded by the County Council's financial difficulties.
- The Authority reported an overall breakeven position on its net expenditure budget for 2015/16 after the net contribution of £4.5 million from the Earmarked General Fund reserve. This enabled the General Fund balance to remain at £5.5 million as of 31 March 2016.

(continued overleaf)

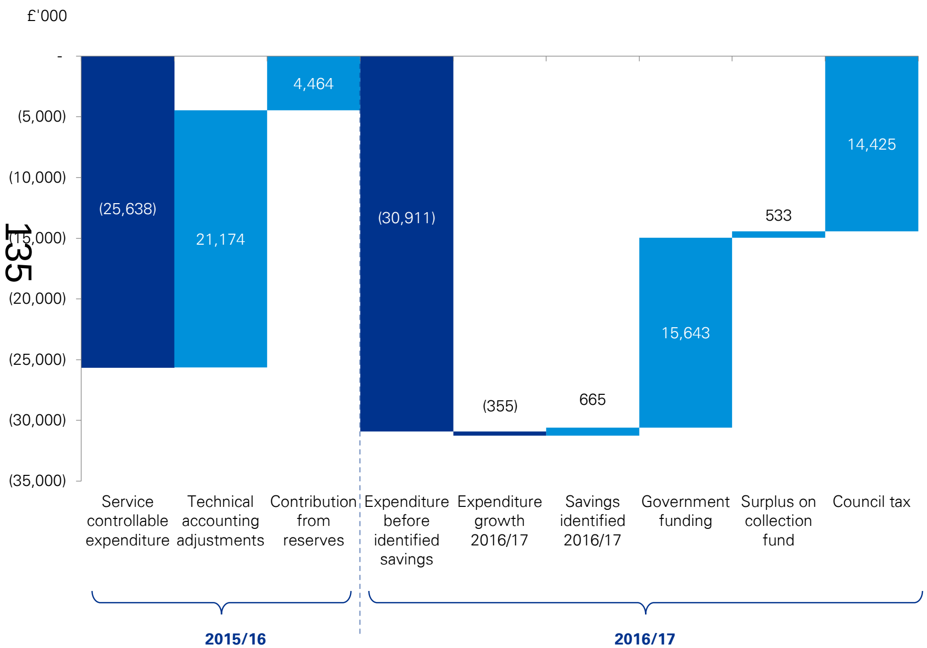
Headlines

Value for money (cont.)

- The Authority's Medium Term Financial Plan (MTFP) details a balanced budget for 2016/17 including savings of £665,000 in year, all of which have been identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £7.3 million by 2020/21.

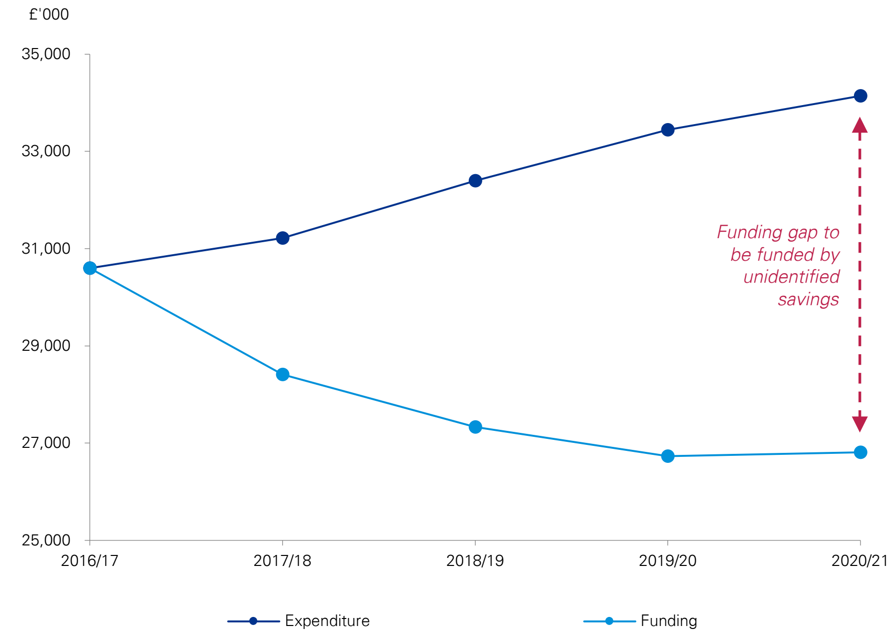
- Thus for 2015/16, we concluded that this identified VFM risk is not a cause for an adverse conclusion on the Authority's arrangements to secure value for money.

Chart 1: Income & expenditure bridge



The bridge above shows a breakdown of key measures undertaken by the Council in 2015/16 to achieve a net position in year. The bridge continues for 2016/17 and includes the identified savings (£665,000) needed to achieve a net position for 2016/17.

Chart 2: Future funding gap



The chart above shows that, whilst not a concern in the near future, the Authority faces increasingly challenging years from 2017/18 onwards.

Financial statements

We did not identify significant audit differences as part of the audit.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 28 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Audit adjustments

There were no significant adjusted or unadjusted audit differences identified as part of the audit. We identified one unadjusted non-significant audit difference in relation to the way in which the Authority calculates the derecognition of Council Dwellings components. The change in the calculation of derecognition of components introduces an element of estimation. The impact is immaterial in the current financial year, but is anticipated to be a material balance going forwards.

Significant audit risk: loans system

During our planning stage, we identified that the Authority's loans system represents a significant audit risk. In our *External Audit Report 2015/16* issued in September 2016, we stated that our work on the Authority's loans system was still outstanding. We have since completed the work (with the exception of the NTFC loan, see page 4) and have identified the following:

- For one loan, the Authority was unable to locate a copy of the loan business plan. This represents a significant risk as the Authority is unable to substantiate key decisions, including the facts underpinning its decision to grant the loan.
- For one loan, the collateral secured against it was a guarantee by the applicant's parent company. A credit check on the parent company indicated a 'higher than average' risk of business failure, with the loan offered far exceeding the suggested maximum credit limit on both the parent and the loan applicant. It is unclear if the Authority had assessed and mitigated this risk.

The Authority was not able to find a number of key documents or evidence. Nonetheless, we are satisfied that there is no risk of material misstatement to the financial statements.

Accounts production and audit process

As stated above, we experienced delay in the provision of supporting documents for our work on the Authority's loans system. The Authority was not able to locate a number of documents for the audit. These have still not been provided at the time of our Annual Audit Letter. We have reported these issues in our *External Audit Report 2015/16*.

We found issues in relation to the working papers, both in relation to the delay in provision of some key working papers previously requested, and also the quality of evidence provided to support the financial statements, specifically in relation to fixed assets. There is an opportunity for improvements to be made in providing clear and concise audit trail of underlying transactions. This has caused significant delays and placed additional pressures on the audit.

Other

We have raised one high-priority recommendation this year. We have also raised one additional low-priority recommendation since completion of the outstanding audit areas.

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Annual Governance Statement

We reviewed the Authority's Annual Governance Statement and concluded that it was consistent with our understanding.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review the Authority's pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

High-priority recommendations

We raised one high-priority recommendation as a result of our 2015/16 audit work. This is detailed in Appendix 1 together with the action plan agreed by management.

In our *External Audit Report 2015/16* issued in September 2016, we stated that our work on fixed assets, loans and provisions for the Authority's business rates (NDR) was still outstanding. We have since completed our work and as a result of this, issued one further recommendation, which brings the total recommendations raised for our 2015/16 audit to nine. This new low-priority recommendation is listed in Appendix 2 for completeness.

We will formally follow up these recommendations as part of our 2016/17 work.

We raised three recommendations in the prior year, of which only one was fully implemented. We have listed the incomplete high-priority recommendation in Appendix 3, management's original response, as well as our assessment of implementation as of September 2016.

Certificate

We have received an objection to the Authority's financial statements in relation to the loan to Northampton Town Football Club, which we are currently considering. This means that we are not yet able to issue our certificate.

Audit fee

Our scale fee for 2015/16 was £80,775, excluding VAT (2014/15: £106,800). This represents a 24% reduction against the scale fees set by Public Sector Audit Appointments Limited. We anticipate that our final fee will be higher than the planned fee of £80,775. Our final fee for the 2015/16 audit of Northampton Borough Council is still subject to final determination by Public Sector Audit Appointments Limited. We will provide a further update at the Audit Committee. Further detail is contained in Appendix 5.

Appendix 1: High-priority recommendations

We raised eight recommendations in our *External Audit Report 2015/16 (ISA260)*. Here we have listed the one high-priority recommendation.

High priority

1. Controls and processes for issuing loans

There is no systematic formalised system of recording or documenting the due diligence process or results arising from the loan approval process. This includes the assessment of business cases, evidence to support key decisions made, any challenge put forward by the Authority to the loan applicant, and the Authority's internal review and approval process. The Authority had significant difficulty in obtaining the evidence required to substantiate this decision-making process. Our assessment of two loans is still on-going due to the delayed provision of key documentation first requested in February 2016.

There is evidence that the due diligence process is not sufficiently formal nor are there a consistent set of requirements. This includes the lack of assessments regarding historic trading performance, cash flow, working capital requirements, sensitivity analysis, etc. The Authority's Treasury Management Strategy, states that *"The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party."* We note that the use of specialist advisors by the Authority varies across loans in relation to the scope and detail of work requested and undertaken.

The accountability and decision-making process is not sufficiently robust. We note that whilst Cabinet delegates authority to the Chief Executive or other appropriate Officers, this has been done prior to finalising the due diligence process.

Recommendation

The Authority should put in place a systematic, robust, and objective process of assessing and documenting the due diligence procedures carried out on loan applicants. This process should be transparent and the due diligence process undertaken by qualified individuals. Any decision will need to be fully documented, including the reasoning and consideration of risks. The process should include a review by a senior officer and this should be evidenced.

Decision papers to Cabinet need to be robust and objective in order to allow informed and balanced decision-making. Decisions need to be made by Cabinet upon completion of required due diligence process. Officers will need to seek subsequent approval if terms of the loan are substantially revised.

Accepted.

Management accept that improvements should be made to the process for approving loans.

It should be noted that NBC have implemented a number of improvements in more recent loans issued, in particular the £46m loan to the University of Northampton which was subject to an intense and closely scrutinised process by the Council and external bodies, including HM Treasury.

NBC will conduct a thorough governance review, in relation to project governance, risk management and due diligence. This review will consider Cabinet decision-making and clearance processes.

The review will draw on external and internal experts and will work closely with KPMG and PWC as appropriate, and the output from the review will include documented and robust processes and checklists for the approval of loans and decision-making processes. NBC using advice from KPMG have already introduced a summary checklist to ensure that all aspects of third party loans are appropriately considered and recorded prior to approval.

Responsible Officers

Chief Finance Officer, and Monitoring Officer

Deadline

31 March 2017

Appendix 2: Additional recommendation

We stated in our *External Audit Report 2015/16* issued in September 2016 that our work on fixed assets, loans and provisions for the Authority's business rates (NDR) was still outstanding. We have since completed our work and as a result of this, issued one further recommendation which is listed below. This brings the total recommendations raised for our 2015/16 audit to nine.

Low priority

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1. NDR provision review

The Authority collects Non-Domestic Rates (NDR) from businesses in the Borough. NDR owed to the Authority is based on rateable values, as set by the Valuation Office Agency (VOA). Ratepayers are able to appeal these values if they do not agree with the valuation. If successful, the Authority is liable to repay its share of the difference.

This was first introduced in 2013-14 due to a move to localise business rates. The Authority has set an NDR provision level of 5% based on an estimate of successful appeals. This estimate is based on information from the VOA (across a range of percentages) and the DCLG's guidance on the national average success rate.

During the course of the audit we asked the Authority to provide evidence regarding its review and analysis of local historical data collected since April 2013 in order to inform its view of the appropriateness of its provision in this area, however none was provided at that time. In raising this issue with Management, we have now been provided with information pertaining to the Authority's approach. The Authority having analysed the local data has deemed that the current approach is prudent and therefore has not adopted the calculated figures. This has not resulted in a material impact on the financial statements.

Recommendation

The Authority should continue to use its own historical data to inform and refine its estimate of its share of liability arising from successful appeals. Notwithstanding whether the Authority decides it should change its provision based on this information, sufficient and appropriate audit evidence should be maintained and provided to evidence the decision process undertaken, as well as management review and sign-off of the final position. The Authority should provide appropriate and sufficient narrative explanations with regards to why the Authority believes that the approach taken is the most appropriate or prudent, especially when there are valuation differences between methodologies.

Accepted.

The Council recognises the complexity of the business rates retention system and the importance of understanding its appeals position. The Council will continue to review the impact of successful appeals on a monthly basis to assess its impact on the financial position. The outcome of this analysis, along with other sources of intelligence, will inform the level of appeals provision for 2016/17.

Responsible Officers

Chief Finance Officer

Deadline

31 March 2017

Appendix 3: Prior year recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. The Authority has not implemented two of the three recommendations in our *ISA 260 Report 2014/15*. This Appendix summarises the outstanding high-priority recommendation identified in our ISA 260 Report 2014/15 and progress made as of September 2016.

High priority

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1. Retrospective raising of purchase orders

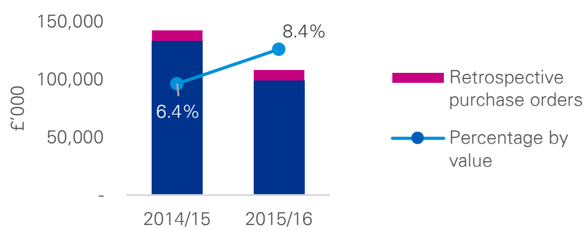
Testing identified that purchase orders need to be raised prior to the Authority committing itself to purchasing goods/services. All purchases need to be authorised, and this authorisation is only carried out at purchasing order stage for those items that require a purchase order.

We noted that £7.7 million worth of expenditure in year was not appropriately authorised prior to placing an order with a supplier. In these cases purchase orders were raised retrospectively which potentially opens the Authority to potential fraud or impropriety and is contrary to the Authority's policy.

Recommendation

The Authority should ensure that purchase orders should be raised for the purchasing of goods and services through the purchase order process (where appropriate), prior to the Authority committing itself to the purchase.

Reports should be run on a regular basis to identify all non compliance and take appropriate follow up action.



2014/15 response

Agreed. This amount of expenditure (£7.7 million) represents approximately 3% of the value of all invoices raised in 2014/15.

This indicates a good level of financial management with 97% of purchases requiring a purchase order being processed appropriately.

All purchases made were from approved budgets and were subject to appropriate segregation of duties for final authorisation of payment.

The Authority will review this level of efficiency and continue to provide financial management training to further improve procurement compliance.

Responsible Officers

Chief Finance Officer

Deadline

Quarterly review

Partially implemented. Reiterated.

In the Authority's response to our 2014/15 recommendations, the Authority stated that of the £7.7 million retrospective purchase orders identified from April 2015 to January 2016, the majority (£5.3 million) relate to contract expenditure and appropriate procurement procedures had taken place. This leaves £2.2 million (2.5%) which appear to have bypassed procurement procedures during that period, and the issue of retrospective purchase orders still remains.

Scheduled payments under contracts can be anticipated, thus there is no need for the purchase orders to be initiated retrospectively. Our review at year end indicated that there were 885 retrospective orders raised, totalling £9.1 million. This is an increase from the prior year (£7.7 million).

A formal report was taken to the management board in autumn last year, and the Authority has stated that from January 2016 monitoring of non-compliance has been integrated into the Management Board dashboard report. However, the report does not currently indicate any actions taken on non-compliance.

Appendix 4: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

2016

January

February

March

April

May

June

July

August

September

October

November

December

Accounts Audit Protocol (January 2016)

The Accounts Audit Protocol sets out our requirements in terms of audit documentation.

External Audit Plan (March 2016)

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (April 2016)

The Audit Fee Letter set out the proposed audit work and draft fee for the 2016/17 financial year.

Auditor's Report (September 2016)

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion. We are not able to issue our certificate due to the objection to the Authority's financial statements in relation to the loan to Northampton Town Football Club, which we are currently considering.

Certification of Grants and Returns (January 2016)

This report summarised the outcome of our certification work on the Authority's 2014/15 grants and returns.

Interim Audit Letter (April 2016)

The Interim Audit Letter summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

Report to Those Charged with Governance (September 2016)

The Report to Those Charged with Governance summarised the results of our audit work for 2015/16 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (October 2016)

This Annual Audit Letter provides a summary of the results of our audit for 2015/16.

Appendix 5: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

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To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the fees charged for the 2015/16 audit and certification fees.

External audit

Our planned fee for the 2015/16 audit of the Authority was £80,775 (2014/15: £107,700). This was a 24% reduction against the scale fees set by Public Sector Audit Appointments Limited.

However, we incurred additional costs due to:

— delays and issues with the Authority's working papers, which required additional resources. Significant areas of delay are loans and fixed assets. Key information was provided after our planned on-site visit despite early information request in January 2016 (see Appendix 4);

— additional work, which was not allowed for in our initial plan, namely the consideration of a formal objection received from a local elector.

Our final fee is still under discussion with senior Officers and will be subject to final determination by Public Sector Audit Appointments Limited.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments Limited we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still on-going. The planned fee for this is £10,579 (2014/15: £14,650). The final fee will be confirmed through our reporting on the outcome of that work in January 2017.

Other services

We are currently undertaking work on the certification of the Pooling of Housing Capital Receipts return, which is outside of Public Sector Audit Appointments Limited's certification regime.

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Local Government Technical update

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Northampton Borough Council

October 2016

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This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors. The report also highlights the main technical issues which are currently having an impact in local government. If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- **High impact**
- **Medium impact**
- **Low impact**
- **For information**

Technical developments

Appointment of external auditor

Level of impact: (Medium)

Following the Audit Commission's closure local authority external audits are currently governed by transitional arrangements under the *Local Audit and Accountability Act 2014*, with audit contracts overseen by Public Sector Audit Appointments Ltd (PSAA). These transitional arrangements end with the audit of 2017/18 financial years, so auditors must be appointed under the new arrangements from 2018/19. In practice this decision must be made by 31 December 2017. There are three main options for local authorities to consider:

1. Undertake an individual auditor procurement and appointment exercise;
2. Undertake a joint audit procurement and appointing exercise with other bodies, for example those in the same locality; or
3. Join a 'sector led body' arrangement where an approved third party procures audit on behalf of multiple bodies.

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As the relevant supervisory body, the Institute of Chartered Accountants in England and Wales (ICAEW) maintains a register of audit firms and 'key audit partners' who have been recognised as meeting the eligibility criteria for local audit. Whatever the approach taken, local authorities can only appoint audit firms from the ICAEW register. KPMG has been registered by ICAEW for local audit work and has 21 Partners and Directors recognised as meeting the eligibility criteria, providing comprehensive national coverage through an experienced senior team.

For options 1 and 2, the Act requires an Auditor Panel to be established. Guidance on auditor panels at local authorities has been issued by the CIPFA – see www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf

One option, subject to complying with EU procurement rules, might be to continue with your current auditor for an initial period. Although this would delay testing the market, fees could be benchmarked for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and avoid the 'rush to market' as other local authorities undertake procurement exercises within a short time period, allowing tendering later in a more settled market.

KPMG perspective

Members may wish to discuss the options open to them on how to procure their auditor for 2018/19 and beyond and ensure they formulate a timetable for making this decision.

Appointment of external auditor (cont.)

Level of impact: (Medium)	KPMG perspective
The Audit Commission produced a report and slide pack summarising the lessons learnt from its 2012 and 2014 procurements of audit services, providing the reader with a list of factors that contributed to the delivery of successful outcomes for both procurements. A copy of this document can be found on the PSAA website at www.psaa.co.uk/wp-content/uploads/2016/01/Learning-the-lessons-from-the-2012-and-2014-Audit-Commission-procurements-of-audit-services.pdf The lessons learnt may be helpful in generally informing procurements of audit services undertaken by individual local public bodies or collective procurement bodies under the new arrangements. However, it should be noted that the procurements undertaken by the Audit Commission were unique to the Commission's regime and the approaches taken may not be relevant in their entirety to other procurements. For option 3, in July 2016 the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the *Local Audit (Appointing Person) Regulations 2015*. This means that PSAA can make auditor appointments from 2018/19 to relevant principal authorities that choose to opt into its national collective scheme. For further information, see PSAA's website - www.psaa.co.uk/supporting-the-transition/appointing-person/	

Business Rates Retention

Level of impact: 🟡 (Medium)	KPMG perspective
The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall. Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved. The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate. The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state. Committee members may wish to be aware that, as a result of these proposals, DCLG has launched two consultations on its proposals for 100% retention of business rates by the local government sector. The first consultation seeks to identify issues that should be kept in mind when designing the reforms; the second is a call for evidence to inform the government's fair funding review of what the needs assessment formula should be following the implementation of 100% business rates retention. Both consultations close on 26 September 2016. The consultation documents and information about how to respond are available for both at www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention	*The Committee may wish to enquire of officers whether their Authority responded to the consultation and the views expressed.*

NAO Report on Capital Expenditure and Resourcing

Level of impact: 🟢 (Low)	KPMG perspective
Committee members may wish to be aware that the National Audit Office has published its report *Financial Sustainability of Local Authorities: Capital Expenditure and Resourcing*. This report found that 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. The report can be accessed via the NAO website at www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/	*The Committee may wish to seek assurances that the impact for their Authority is understood.*

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PSAA's Value For Money Tool

Level of impact: (Low)

The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 1 July 2016.

The VFM profiles have been updated with the latest available data. The adult social care section has been re-designed based on the new adult social care financial return (ASC-FR). Data is available from 2014/15 onwards with no comparable data from earlier years. The children and young people section has also been updated with 2014/15 data.

The VFM profiles have also been updated with the latest available data from the following sources:

— Adult Social Care Financial Return (new data collection) (2014/15)

— Referrals, assessments and packages of care for adults (RAP) (2014/15)

— Pupil numbers (2015)

— Provision for Children Under Five Years of Age in England (2015)

— Children in Care and Adoption Performance Tables (2014/15)

— Key Stage 2 Attainment (2014/15)

— GCSE and Equivalent Attainment by Pupil Characteristics in England (2014/15)

— Section 251 outturn data - Table A1 Children and young people services (2014/15)

— Section 251 outturn data - Table A Education budget (2014/15)

— Special Educational Needs in England (2014/15)

— Attainment by Age 19 (2014/15)

— Participation in Education, Training and Employment by 16-18 Year Olds in England (2015)

— Pupil Absence in Schools (2014/15)

— National road maintenance condition survey (2014/15)

KPMG perspective

The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.

PSAA's Value For Money Tool (cont.)

Level of impact: (Low)	KPMG perspective
— Proportion of bus services running on time (2014/15) — Annual Population Survey (2015) — Finance and General Statistics (2014/15) — Revenue Collection (2014/15) — Claimant count (2016) — Affordable housing supply (2014-15) — Active people survey (2014/15) — Public Health Outcomes Framework (2014/15) — Conception Statistics, England and Wales (2014) — First time entrants into the Youth Justice system (2014/15) The Value For Money Profiles can be accessed via the PSAA website at http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing	

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Whole of Government Accounts

Level of impact: 🟢 (Low)	KPMG perspective
Committee members may wish to be aware that HM Treasury has published the local government data collection tool (DCT) and guidance. Authorities who have problems with their DCT should contact HM Treasury directly. HM Treasury has confirmed in its guidance that the deadlines for local government WGA submissions are as follows: — 12 August: the DCT to be submitted by the authority for auditor review. — 21 October: auditor's work to be completed. Committee members are reminded that auditors will not issue their Audit Certificate, which formally closes the 2015/16 audit, until they have completed their work on WGA.	*The Committee may wish to understand how their Authority is progressing with the WGA submission process and seek assurances that an appropriate timescale is in place.*

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Discharging Older Patients From Hospitals

Level of impact: ● (For Information)

On 26 May the NAO published a report, *Discharging older patients from hospitals*, which may be of interest to Committee members. The report is available from the NAO website at www.nao.org.uk/report/discharging-older-patients-from-hospital/

The report finds that the health and social care system's management of discharging older patients from hospital does not represent value for money. It also finds that keeping older people in hospital longer than necessary is an additional and avoidable pressure on the financial sustainability of the NHS and local government.

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Government contracting

Level of impact: ● (For Information)

The NAO has recently published an overview of its work on the government's management of contracting which Committee members may wish to be aware of, particularly in relation to value for money arrangements.

The publication examines subjects including the government's commercial capability, accountability and transparency, and its management of contracted-out service delivery. It finds that government now spends about £225 billion a year with private and voluntary providers. The role of providers in the public sector has evolved from relatively simple contracts to provide goods or established services, to innovative high profile commissioning arrangements in sensitive public service areas such as health and justice

The overview is available from the NAO website at www.nao.org.uk/report/government-commercial-and-contracting-an-overview-of-the-naos-work/

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Devolution

Level of impact: (For Information)

In spring 2016, the NAO published its report *English devolution deals*. This report finds that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended.

The report is available free of charge and the full version or a summary can be accessed at www.nao.org.uk/report/english-devolution-deals/

In addition, CIPFA's Yorkshire and Humber regional executive and KPMG are hosting a free event on devolution in local government in our Leeds office on the evening of the 29 September.

Full details of the event (and where you can sign up) can be found here: www.cipfa.org/training/c/cipfa-regions-yorkshire-and-humber-events--devolution--can-it-deliver-20160929

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Reimagine Local Government

Northampton Borough Council
November 2016
Public Sector & Healthcare
External Audit

Reimagine Local Government

Council cash crunch: New approach needed to find fresh income

Council cash crunch: New approach needed to find fresh income

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- By 2020, councils must generate all revenue locally
- More and more are looking towards diversifying income streams as an integral part of this
- Councils have significant advantages in becoming a trusted, independent supplier
- To succeed, they must invest in developing commercial capability and capacity

When Richmond Council decided to step up opposition to Heathrow expansion, staff were keen to get expert support in running their campaign. They turned to a company called Westco. Based a stone's throw from the Houses of Parliament, the firm employs a number of experts in local government communications. That its chairperson is a councillor is no coincidence: Westco is a wholly owned company of Westminster City Council.

Westco is one example of local authorities' increasing desire to diversify their income streams. With central government phased out funding before councils have to fund their entire budget by 2020, the focus on income is intense.

The hunt for new income

Some will come from business rates, which local government will retain in its entirety by the end of the decade. Council tax will continue to be a key source of funding. But in both instances, there will be winners and losers. Councils with the right business and residential mix will be in clover, while more disadvantaged areas can expect a funding black hole. In all cases, the hunt will be on for new income sources, and in some instances the stakes are high.

"For many councils, if they continue on a straight path without doing something different on revenue, they will literally run out of money," warns Adrian Fieldhouse, Director at KPMG. "By that I don't mean they might have to close a couple of leisure centres. They will not have enough money to deliver their statutory services."

Facing that prospect, it is little wonder Fieldhouse says almost every council he visits wants to talk about income diversification with many focusing on generating additional revenue from businesses and other areas of the public sector rather than residents.

Westminster may have been one of the first to set up a separate trading arm – Westco was established 13 years ago – but it is far from an isolated example, and new plans are cropping up regularly. In early 2016, for instance, Wolverhampton City Council announced proposals to create its own housing company.

A trusted partner… but there's a caveat

Adrian Fieldhouse believes there is no shortage of options – not least as schools become academies – and he believes councils are well placed to operate in many of the spheres they are considering. "If you wanted to set up a business to serve the public sector and schools and so on, you'd do worse than start with all the attributes that local and regional government have got – they're trusted, they've got the relationship, they understand the environment, they've got the land, they've got people, they've got experience," he says.

Yet there is a caveat. "What Councils don't traditionally have", he says, "is the culture needed to seek out these new sources

of income and to maximize their return. That is not a criticism, culture is defined by the systems, processes, behavioral norms, performance measures and collective goals of the organisation and for most Local Authorities, these things have been pointed towards supporting children, caring for vulnerable people and providing high quality public services at volume not at competing for and generating income".

As such, he argues that if Local Authorities want to secure a significant and sustainable diversified income stream then the things that underpin culture have to be reassessed, changes made and care given to separating them from the statutory services such that they can flourish without creating risk elsewhere. He says " To enable diversified income streams to flourish you're going to have to have the right culture and approach. You want it to be entrepreneurial, you want it to be agile, you want it to be responsive. You want the council to be commercially minded – with a social conscience – but commercially minded. If that new business venture remains a unit within the council, how does it sit alongside adult social care, or children's services? They have totally different cultures and process needs."

Resolving the culture clash

The solution, he suggests, is to explore alternative delivery models such as joint ventures or local authority trading companies. "These essentially enable you to set up a separate organisation that is wholly or partially owned by the council but which can create its own processes, cultures; it can be as agile as it needs to be, responding to the market, attracting and retaining the right staff and incentivizing them in the right way."

There are still complications, not least governance, and not just how you govern a venture to make it effective. "What does it mean for the roles and responsibilities of council members or officers who might now be on the board of this company? And also making sure this company doesn't go off and do something that is completely contrary to what you want to be known for as an authority."

Fieldhouse is keen to stress to councils that the issue of income diversification is perhaps not as simple as they might think. "From this apparently very simple question … there are a whole series of interlinked decisions around helping to maximise those revenues.

"Making the decision to diversify income really is just the tip of the iceberg."

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Reimagine Local Government

English devolution: Chancellor aims for faster and more radical change

English devolution: Chancellor aims for faster and more radical change

- Experience of Greater Manchester has shown importance of strong leadership
- Devolution in areas like criminal justice will help address complex social problems
- Making councils responsible for raising budgets locally shows radical nature of changes
- Cuts to business rates will stiffen the funding challenge, even for most dynamic councils

With so much coverage of the Budget focusing on proposed cuts to disability benefits, George Osborne's changes to devolution and business rates rather flew under the radar. They should not have done more attention. These reforms are likely to have lasting and dramatic impact on public services.

Osborne announced three new devolution deals – for East Anglia, Greater Lincolnshire and the West of England. He also brought forward local control of business rates in London, Liverpool and Greater Manchester. So this seems like a good time to ask whether the devolution initiative can deliver all it promises – whether, in the words of Andrew Walker of the LGIU think tank, this is "a radical change for the better or just tinkering around the edges".

One way to judge is to look at the experience of Greater Manchester, the first area to sign a devolution deal. What are the lessons for the new combined authorities? This is also a good time to reflect on an aspect of the government's strategy that has attracted relatively little attention – the financial implications for local government, particularly the consequences of likely changes in the distribution of resources around the country.

A new set of skills

It is clear that devolution, at least on paper, is now a national rather than a northern initiative: five of the 10 deals agreed so far are with local authorities in the southern half of the country. Councils that have not yet signed up must be feeling pressure to join the club, not least in Yorkshire, where so far only Sheffield has done a deal with the government.

This is impressive progress for an initiative proceeding without a top-down legislative reorganisation and instead depends on painstaking council-by-council negotiations. However, as all the combined authorities are acutely aware, the benefits of devolution will not be realised unless they act swiftly and decisively to turn words on paper into reality on the ground.

Implementation has traditionally been a strength in local government. But until now implementation of new policies has typically taken place within the boundaries of individual local authorities. These devolution deals require a new set of skills – the ability to work across boundaries with neighbouring authorities and with other public bodies. They need to foster co-operative relationships across a geographical area, use influence and persuasion to drive change when 'command and control' is not an option, and they need to fundamentally re-think how they deliver public services.

These skills can and should be developed in-house, but some may need to be brought in from outside, whether through recruitment or engagement with external advisers.

Fast and flexible leaders

Strong leadership has been vital to Greater Manchester. In the absence of a single statutory authority, leadership has to be provided at multiple levels – most notably by the leaders and chief executives of the ten participating councils and of the authorities responsible for services such as fire, police and healthcare – not to mention representatives of the private and voluntary sectors.

It is not easy to create a flexible, fast-moving leadership team, empowered to take decisions, when multiple interests have to be accommodated. A venture with multiple parties like this simply cannot work without the drive and commitment of the two key leaders, the mayor and the head of the paid service. A great deal will depend, in all areas where a devolution deal has been signed, on the personalities of these two key figures. Do they have the authority, determination and charisma to challenge vested interests? Can they build support for changes that cut across organisational boundaries?

In Greater Manchester there is no doubt that Sir Howard Bernstein's contribution has been immense. As head of the paid service for the combined authority, he has worked tirelessly with his fellow chief executives to create the momentum for change, supporting the vision of the interim mayor and council leaders.

Completing the jigsaw

One of the most interesting Budget measures was the government's extension of new powers over criminal justice to Greater Manchester, including significant involvement in the commissioning of prison and probation services. This is important because it adds one more piece to the jigsaw of devolved powers, meaning that levers of change – previously split between multiple bodies at local and central government level – are starting to coalesce in the hands of the combined authority.

We can only tackle complex social problems effectively through co-ordinated action on many fronts. Reducing offending is not simply a matter of improving the way in which offenders are managed within the criminal justice system. It requires action in many other areas, including family and children's services, education, employment and skills, healthcare (both physical and mental) and housing.

Devolution has the potential – and it is still potential rather than reality at this stage – to enable the combined authority to take action across all these fronts at once. So far, much of the progress in Greater Manchester has taken place behind the scenes, gradually building the informal coalitions that are necessary to effect change in this challenging environment.

Plans have been developed, for example, to transform the way services are delivered to vulnerable children, regardless of where they live and where they access services in the Greater Manchester area. The proof of the pudding will come in the next stage, when the combined authority implements its plans.

"Raised locally, spent locally"

One of the most important sentences in the budget speech was this: "By the end of this parliament, 100% of local government resources will come from local government – raised locally, spent locally, invested locally." This should silence those who say the devolution agenda as insufficiently radical.

For decades the majority of local authorities have been reliant on grants from central government and on the redistributed proceeds of the business rate. Less prosperous areas have been protected by equalisation mechanisms designed to take account of differences in both resources and needs. By the same token, councils that have encouraged economic growth could only watch as the extra revenue they generated in non-domestic rates and council tax was recycled to less successful areas. Although well-intentioned, the pursuit of equalisation

has resulted in an ever more complex system, which is only a handful of academics and financial experts fully understand. That satisfies no-one.

The localisation of business rates means there will be winners and losers. Local authorities that are successful in developing their local economies will be able to keep the additional revenue they generate. Those that are unable to do so, will no longer be protected.

Rates challenge looms

It is clear, however, that the Chancellor is currently unwilling to allow even the most successful local authority more than a measure of control over its own financial destiny. The freedom to generate and keep revenue from business rates will be granted within a tight national framework, with central government retaining control of the extent to which council tax and business rates may be increased.

The Chancellor may have decided to speed up the devolution of business rates in three of our largest conurbations (London, Manchester and Liverpool), but the budget also delivered a £7 billion cut in the rates paid by small businesses. While this is good news for entrepreneurs, it means that when local authorities eventually get to keep 100% of business rates, they will find the pot is smaller than they had expected.

What is more, the complete withdrawal of central government grant will have an impact across the board. Even some of the more dynamic authorities may find it difficult to drive growth at a scale and pace sufficient to make up for the loss of central support. That would change, however, if the government were willing to devolve wider fiscal powers and to fund national infrastructure on a more equitable regional basis.

The Chancellor talked in his Budget of "the most radical devolution of power in modern British history". It is the financial aspects that may prove in the end to be the most radical, and most controversial. The combined authorities will gain new powers and will be able to retain the benefits of improving their local economies. But the withdrawal of government grant support and the curtailing of equalisation will have harsh consequences, particularly for less successful authorities.

Both winners and losers will find that they are operating within a tight fiscal framework, where their room for manoeuvre is limited – unless and until the Treasury is willing to loosen the purse strings.

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Reimagine Local Government

Senior public sector pensions hit: how to manage the fallout

Senior public sector pensions hit: how to manage the fallout

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"I think there's power in education, communication and good understanding of the whole issue."

- Recent changes to pensions taxation have particularly affected the public sector
- Fears senior staff may quit as pension allowances bite
- 'Analyse, control, engage' is the bedrock of an effective strategy

When George Osborne dropped plans to substantially alter tax relief on pension contributions in the 2016 Budget, high-rate tax payers breathed a sigh of relief. Yet Steve Simkins, Partner at KPMG, argues this "stay of execution" must not conceal the potential impact of changes to pensions taxation already in play.

Why should local government leaders pay attention to the issue of pensions tax?

"Changes to the rules around tax and pension savings mean allowances have been steadily dropping. Three or four years ago, it might only have been a council's chief executive who was impacted by pensions tax. Now we're looking at the top 20 people in a medium-sized council: the whole of the senior leadership team now effectively on a lower net pay package."

"With your top people affected – and it could impact on some other people too – you now have a business issue, not just a personal one."

How aware are leaders to the impact of these changes?

"The notion that these changes are going to impact senior officers below chief executives hasn't fully hit home yet. Even where individuals are aware of the issue, they will rarely understand the actual impact."

"People know about pensions tax if they have already been affected, but part of the issue is the lag effect. If the amount you can save to your pension each year drops on 5 April 2016, you don't actually find out if it effects you until your pension scheme tells you in the early autumn of 2017, this is too late to do anything about it and will be quite a surprise."

Where there is awareness, what's been the reaction?

"For those who realise that there is a potential impact, a common reaction is to consider leaving the scheme. But pension savings over the Lifetime Allowance can still be valuable because of the contribution by the Council. Even so, if net pay is reduced, the obvious consequence may be that people leave or become demotivated at a time when local government really needs a motivated senior leadership team. Changes to pension allowances could actually cause a reduction in performance in a local authority."

"It is more likely to impact on the higher performing people; those who are aware of their value and who are therefore not prepared to work for a higher marginal rate of tax."

How do you advise employers to manage these risks?

"I would advise employers to help their employees: don't just leave this to individuals to sort out themselves, because it's so complicated. We advise our clients to 'analyse, control and engage' (ACE for short).

Time to analyse

Do you know who has been impacted, who is being impacted, and who will be impacted in the future? That gives you your constituency to work with."

"This isn't going to impact anybody earning £30,000 per year, but you get up to £60,000 per year and you could get scenarios where they could be impacted in some years. From around £80,000 per year, they are quite likely to be affected each year, and over £110,000 per year, the impact will be very significant."

What can local authorities do to control the situation?

"When these new lower pension tax allowances were introduced it was generally envisaged employers would reduce the amount of pension that they provide, because it is so tax efficient, and instead provide pay, which is taxed in the normal way."

"The challenge in the public sector is employers have fixed pension arrangements, which they have to provide, and can't be flexed. Some employers are naturally cautious and say, 'if I try and control this, it could be tax avoidance'. So employers need to decide whether they are going to do something to try to enable a better balance between pay and pension, and to carefully consider the implications."

Engagement is key

"But, regardless of the steps employers take to control the position, engagement is key. Much of the problem can be dealt with when high quality communication is provided early enough to avoid any surprises that are too late in the day."

How should local government employers engage with staff?

"I would start from the premise that it's good to communicate with as many people as possible and to engage with all of those potentially affected."

"An extension of talking about pensions tax changes is talking about pensions themselves – what you pay, and what you get back. Presentations and quality communications material work especially well when an organisation hasn't covered the changes in isolation. Instead, they've thought about it in the context of the wider pension provision and have communicated about pensions more generally. It then starts to integrate those messages into a wider total reward programme."

"I think there's power in education, communication and good understanding of the whole issue."

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Reimagine Local Government

Time for the Care Act to deliver

Time for the Care Act to deliver

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"So you have to engage the frontline staff in the vision: how to fix a broken system. Because if anyone knows it's broken, it's them."

- Momentum behind last year's Care Act risks stalling
- Councils struggling to create an accessible care market with well-informed consumers
- Local authorities must improve digital presence and engage providers
- Austerity need not be an impediment to progress. It could be an enabler

It is now 12 months since the initial implementation of the Care Act, a legislative success many years in the making. The act spoke of fair and equal access to support services, of vibrant and diverse care provider markets, and of people having information about how and when to access services. Put simply, it was to be generational change in the foundations of social care.

In the run up to its implementation, local councils focused intensively on what the act would mean for them. Directors and professional leaders sought to ensure their colleagues understood how services would need to change and a momentum built behind the changes.

Stalled progress

A year later, there is a real risk this momentum has stalled. Instead of surveying a diverse care market, we read headlines about providers considering an exit from the sector. Council websites are filled with pages about getting recycling bins or parking permits, but little about how to have a grab rail installed so you can stay in your home safely. For now, the vision of the Care Act largely feels just that: a vision rather than a reality.

It would be a real shame if that remained the case. The idea of councils as responsive organisations, guiding people to the best care, is the correct one. It is not only right for the wellbeing of our population, it is right in today's financially-constrained public sector. Less resources are forcing councils to consider making more radical changes to care, as they have already made to other services.

First, councils should strike a new deal with local people – making it clear both sides have a responsibility to maintain people's independence and wellbeing. That mean's everyone acting quickly when long-term care starts to be needed. People have to raise the issue before reaching the point where they need care at home, and councils need to respond with accurate advice about local services.

The need for digital

Second, to do that, councils must raise their digital game. People need to be able to visit a council website and find details of all the services available – voluntary, health and social. Some councils have done a good job of building directories. But often, they build portals which redirect users to other sites rather than offering immediate personalised information and advice.

Convening power

All of this costs money. Councils can raise some from a council tax precept, but that will not be enough to sustain the existing care system. A good place to start would be to bringing all major local care providers together into one room – not to drive down prices even lower but to work out how to help providers thrive, support new services coming to market and to create a digital platform offering access to these new services.

To promote a sustainable care system councils could choose to invest in training for specific staff groups, building investment in health technology into their economic growth plan, or working with schools to develop better ways to keep young people healthy.

The solutions are not necessarily expensive, but the benefits could be huge and lasting. They could be the foundation of the new era promised by the Care Act.

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Reimagine Local Government

Councils can save more than just cash by sharing data

Councils can save more than just cash by sharing data

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- Better data sharing in the public sector can save lives and money
- The duty to share information can be as important as the duty to protect it
- Local authorities are yet to realise the full value of their data and are wary of sharing information
- Cross-sector structures and the right leadership is the first step to combating the problem

Local authorities have a moral obligation to share data inside their organisations and with other public agencies. The prize is great, data sharing has the potential to improve and save lives, but too few councils are yet to understand its potential or are too uncertain to lead.

Just think: if a social worker sees a client's breathlessness has got worse, shouldn't their healthcare provider know? If the client smokes, isn't it worth telling the fire service to check their smoke detector? If police are called to a disturbance at the client's home, couldn't that be a useful pointer for social workers to consider a wider set of interventions?

Yet few, if any, public bodies reliably share data in this way. On a curve showing their maturity in using data, local authorities are typically low down in the bottom left-hand corner; uncertain of how to proceed.

Sharing data can be as important as protecting it

Why such reluctance to share data? Fear and uncertainty is too often the reason. The Data Protection Act and other pieces of legislation have become compliance mechanisms in the minds of local government staff. To them, they represent the possibility of punitive action when things go wrong, rather than a framework to get things right.

For instance, colleagues working in health report that too often, the first six Caldicott principles on patient information are rigidly followed at the cost of the seventh: "The duty to share information can be as important as the duty to protect patient confidentiality." Local authorities have a leading role to play in driving the balance between privacy and sharing.

Sharing information does not just improve outcomes. With economic challenges present and intensifying, using data to stratify risk in local populations will be an important way to work more efficiently, manage demand and allocate resource. To make that a reality, local government has to overcome several barriers.

First, we need to recognise that cultural transformation is required within and across organisations. The fear and uncertainty around data sharing pervades all levels from the chief executive to the intelligence officer, to those on the front line.

This quickly becomes a deterrent to even starting out on the journey. Everyone involved in the local care economy needs to regard data sharing as a priority in order to provide more integrated care and overcome organisational boundaries.

From there, local authorities may need to create a cross-sector structure focused on the issue. For example, Greater Manchester is working with KPMG to create a data-sharing agency, GM-Connect. This organisation has a mandate to drive outcomes focused data sharing across the conurbation It will play a leading role in breaking down information silos and applying data to the most vexing problems facing our public services.

Establishing new organisations won't be possible – or necessary – every time. It is, however critical that senior leaders give somebody the mandate to champion data sharing and make it happen. This individual must be capable of winning hearts and minds but also possess the technical acumen to provide challenge and rigour where needed.

Here another challenge lies – senior sponsorship. Leaders must be bold and committed when driving the data sharing agenda. Data sharing strategies must be visionary, realistic about the barriers but compelling about the benefits. Cross sector buy-in is critical to success and this starts with the quality of the leadership.

This in turn leads to a requirement to focus on influencing stakeholders. Using a problem solving ethos is one way to do this. Defining shared use cases creates the basis for collaboration and fuels commitment.

Get the information governance right

Managing risks means getting information governance right. It has to be front and centre of any local authority's approach to data sharing. It means respecting the privacy of data, while at the same time not neglecting the seventh Caldicott principle – the duty to share information.

In Manchester, we've been doing this by speaking about "information coaching" rather than "information governance". Because for local authorities looking at data sharing, it isn't really about governing: much of that is set out by national or even European legislation. Instead, we need to coach on how we can achieve the best possible service via the use of information – working with the legislation as an enabler rather than a reason not to do something.

After all, would you rather your information be locked away, unused and forgotten in a dark corner, or used safely and securely to save lives and give communities the services they deserve? Most people would agree with the latter – local authorities should too.

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Reimagine welfare

Pooling the buying power of benefits claimants to purchase essential services

March 2016

www.kpmg.com/uk/reimaginegovernment

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Let's reimagine...

Kru Desai
Head of Government & Infrastructure, KPMG in the UK

This paper is one of a series of thought experiments in which KPMG staff imagine new ways for government to achieve public policy objectives.

This might mean building services around the user rather than the provider. Or drawing on the huge potential of data and digital technologies. Or tapping into the power of markets, new incentives, transparency, or the wisdom of crowds. In every case, it involves fresh ideas.

To channel our thinking, we imposed three rules. Ideas must be designed to produce better public outcomes without increasing the burden on the taxpayer. They must align with the government's philosophy and headline policies. And they must be realistic and deliverable.

But within these rules we want to step outside conventional thinking, and test out new ideas on how public policy goals can be achieved. We want to stretch ourselves, applying new technologies and techniques to solve old problems. We are not calling for a specific future – but we are reimagining it. **What do you think?**

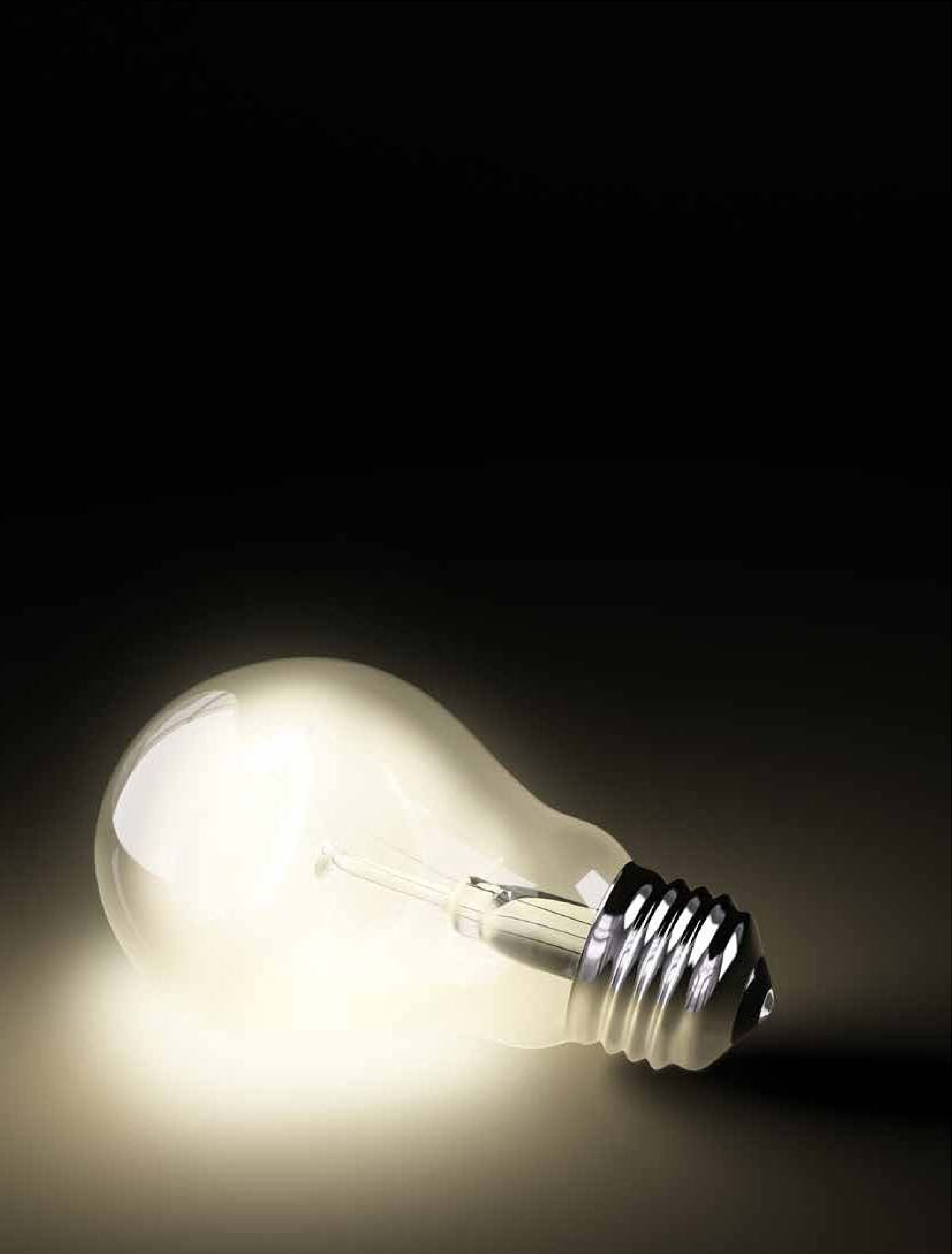
Where we are

It's a sad fact that those least able to heat and power their homes often pay the highest prices – for 4 million[1] largely low-incomes have prepayment electricity meters, incurring an additional cost that ranges from £80 to several hundred pounds a year.[2] Even taking the low end of these figures, the poorest families in the country are paying a price premium totalling more than a third of a billion pounds.

This inequity bites particularly hard in winter, when power use increases; unlike those paying a fixed monthly direct debit, households with prepayment meters cannot even out their electricity costs over the year. Then there's the inconvenience and cost of visiting shops to charge up meter keys, and the harm caused when vulnerable people simply cannot afford to keep the lights on; dependence on a prepayment meter is bad news for many of the poorest in our society.

Yet much of the money coursing through Britain's prepayment meters is provided by an organisation with vast purchasing strength and the country's best credit rating: the UK government. Indeed, the government buys its own electricity at well below retail rates: to minimise the burden on taxpayers, many departments and agencies aggregate their purchases through the Crown Commercial Service (CCS) – which, trading on the wholesale markets, uses its huge spending power and specialist skills to achieve the best prices available. So taxpayer cash which reaches energy markets via the CCS is stretched to the limit; but those government funds which instead pass briefly through the hands of benefit claimants produce far slimmer returns.

Under this system, the poorest in society pay the highest prices for electricity – and for low-income households, power represents a big chunk of their monthly outgoings – and have the lowest security of supply. Meanwhile, hard-pressed benefits budgets are used inefficiently, so the DWP must spend more to provide the unemployed and vulnerable with life's essentials. And power companies must maintain an unwieldy and expensive physical infrastructure of prepayment meters, in a bid to maintain some level of service for a group they view as high-risk and low-return.



Let's reimagine this whole system...

What if DWP claimants could elect to put some of their benefits entitlement into an innovative new government-run electricity purchasing service, transforming themselves from some of the weakest individuals in the marketplace into members of a huge and powerful electricity-buying syndicate? Pooling their buying power with that of other claimants and the government itself, they would become partners in a huge trading block – and secure much better prices in the market.

Not all of those savings would accrue to the consumers – for the government would also share in the savings, enabling it to reduce benefits spending. Given the substantial gap between the below-market prices currently paid by CCS and the premium charged via prepayment meters, there would be plenty of savings to go round.

Participants would also benefit from fixed and predictable monthly outgoings, with their electricity spending smoothed over the year, and eliminate the inconvenience of key charging and the risk of being cut off. In exchange for these advantages, they would see a small reduction in their spending flexibility – for with a proportion of their benefits diverted at source into the scheme, they would draw out less cash – and a smaller cut in their headline benefits figure; but their spending power would rise.

Electricity suppliers should also benefit. For them, prepayment meters are simply a way to minimise risk when supplying electricity to people who may not have the money to pay bills in arrears. The premiums charged such customers are spent on supporting the infrastructure of meters and charging points; most providers would much prefer to be charging lower rates to a less complex and more reliable set of customers.

If instead these households' bills were paid directly by the government itself, the whole calculation facing energy providers would change: participants would become a very low-risk consumer group, with lower customer acquisition spending and bills handled via an automated central system – producing much reduced administrative and payments costs.

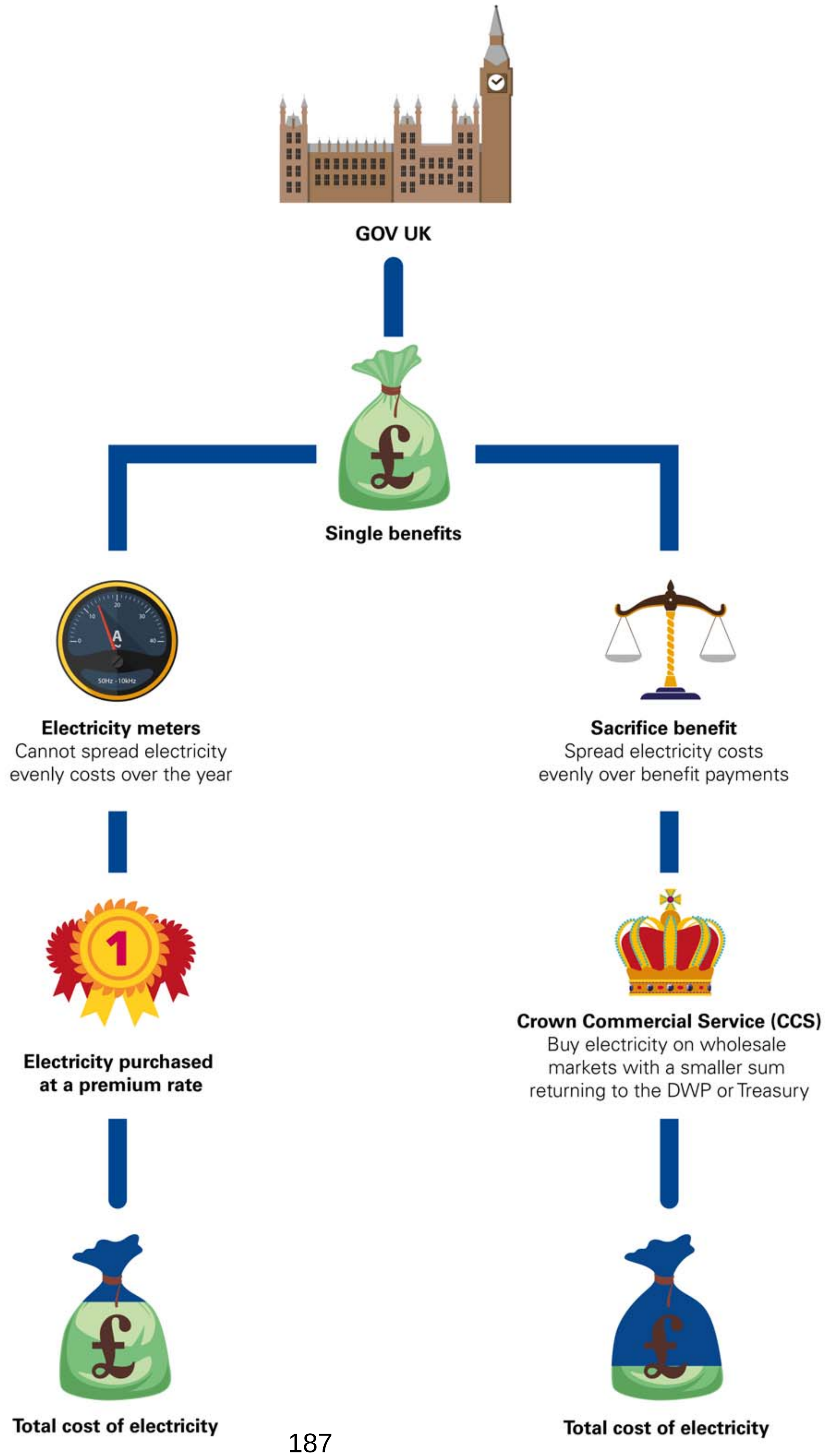
How to deliver the new service

The service would aggregate participants' electricity purchases, perhaps channelling them through the CCS systems already established to take advantage of the best possible wholesale market rates.

The scheme would initially be linked to a single benefit, though it could be expanded later to include others. Participants would be required to 'sacrifice' enough of their monthly benefits to cover their household's average monthly electricity use over the previous year – a figure smaller than previous years' spending, thanks to the discounted rate achieved under the scheme. The lion's share of this 'sacrificed' money would be spent buying electricity on wholesale markets, with a smaller sum returning to the DWP or Treasury.

If participants' electricity use began to rise during the year after they joined the service, threatening to outpace their contributions and leave the government out of pocket, the system – which would track both electricity use and benefits sacrificed – would ask them to raise their monthly payments to cover the difference.

Benefits claimants would access the service via a GOV. UK web page or an app, both of which could verify eligibility with the DWP and keep users informed on market prices and their cumulative savings. Those unable to access or use these technologies could instead call a telephone helpline, but the government would aim to make the digital services so easy to use, quick and convenient that they become by far the most popular channels. These goals would be aided by the use of citizen-centric design, the deployment of emerging cross-government technology platforms, and the application of Government Digital Service expertise and standards.



GOV UK
Single benefits
Electricity meters
Cannot spread electricity evenly costs over the year
Sacrifice benefit
Spread electricity costs evenly over benefit payments
Electricity purchased at a premium rate
Crown Commercial Service (CCS)
Buy electricity on wholesale markets with a smaller sum returning to the DWP or Treasury
Total cost of electricity
Total cost of electricity

Alignment with public policy objectives

As well as the advantages for consumers, suppliers and the government listed above, this system could produce a range of further public benefits. The most obvious of these include:

By reducing energy costs, smoothing payments over the year and preventing 'blackouts' when participants can't afford to recharge their keys, the service would help the government realise its goals around reducing fuel poverty;

Integrating this approach with the government's winter fuel payments system could reduce the latter's administrative and service delivery costs;

The system could provide a helpful channel for energy providers to meet their Energy Company Obligation (ECO2) requirements, further supporting work to tackle fuel poverty and producing more energy savings for the poorest consumers;

Collecting data on individuals' spending and their use of services, the government could – with the right consents in place – gather evidence to inform future policymaking, improve its targeting of advice and support services, and identify the most effective ways of reducing energy use.

Going further

This approach has huge potential benefits in electricity, where the existence of prepayment meters creates a twin-track market penalising the most vulnerable consumer groups. But the government could also produce savings within many other markets by aggregating the spending power of benefits claimants and, in many cases, combining it with its own. And if people began using and valuing this service to purchase electricity, they would already have the equipment, experience and confidence to make other essential purchases through the same system.

These purchases might include water and sewerage, basic food, insurance, simple financial products, telecommunications and broadband. And incorporating some of these new services into the system would provide additional social benefits. We might see a rise in the number of insured households, for example – an important goal, given that the poorest families both experience an above-average risk of burglary or home damage, and are poorly prepared to recover from such blows. We might also broaden access to home internet, tackling 'digital exclusion' and – in a virtuous circle – making it easier for people to use the 'benefits sacrifice' portal. We might even improve eating habits, contributing to public health.

Extending the scheme in this way would have obvious benefits for claimants and the government – with both sides seeing their outgoings falling as they share the benefits of bulk discounts – but service providers and retailers would also have strong incentives to participate. Currently, businesses targeting these consumer groups typically find that individuals are highly price sensitive, with low spending power and poor credit ratings. Under this service, they would instead be invited to bid for substantial bulk-sales contracts, with payment underwritten by government and much reduced marketing, service provision and payments costs. In such low-margin markets, these benefits are extremely attractive.

In each of these examples, the purchasing model would be similar to that of electricity. Consumers would voluntarily forego a proportion of their benefits in order to receive the product at a discounted rate – so they'd pay a fixed monthly fee up front, with usage tracked almost in real time.

Addressing the challenges

As with any significant policy initiative, there are many potential problems and risks around this idea. Here we address six of the most substantial.

1

The scheme depends on high volumes to drive down prices and attract energy providers. What if it doesn't attract enough claimants?

The project's ability to attract participants would depend on the quantity and quality of marketing; the system's accessibility and ease of use; and the savings available. Given that the government already communicates extensively with benefits recipients, it has a range of existing channels to market. Meanwhile the Government Digital Service has demonstrated its ability to produce accessible, attractive service delivery platforms; and the savings on offer should easily be substantial enough to attract this price-sensitive group of consumers.

2

If service users consume more electricity than they've funded through benefits sacrifice, then stop claiming or disappear, someone's left with an unpaid bill. Who carries that risk?

Energy companies. Because the service tracks energy use monthly, these bills could only be small. And energy suppliers currently find low-income customers an expensive group to supply, with high fixed infrastructure costs and disproportionate expenses for marketing, billing, money transfers, administration, complaints and dispute resolution; the savings that come with moving to a single, highly reliable customer should more than outweigh any additional losses. As an additional safeguard and deterrent, participants could also be required to repay overspends through deductions from any future benefits payments.

3

This looks like a difficult technology project and a brand new form of public service – does government have the skills to deliver it?

In fact, this is only an iterative development of existing successful policies. The Motability service aggregates benefits spending to provide a single service for users. Childcare vouchers involve a salary sacrifice scheme, administered through HMRC. And the DVLA's Vehicle Excise Duty service instantaneously checks vehicles' insurance cover, demonstrating government's ability to manage real-time data exchange with private industry. What's more, in recent years the Major Projects Authority (now the Infrastructure and Projects Authority) has substantially improved government's programme and project management capabilities, whilst the Government Digital Service has boosted digital skills and 'agile' development capabilities. With the right team in place and an intelligent programme of pilots, the service is well within the government's capabilities.

4

Would the wider public, who must pay full price for services, resent the fact that benefits claimants are paying less?

The scheme would have to be restricted to core services and goods, and could not be used for the purchase of luxuries. And whilst benefits claimants would indeed see their total spending power rise a little, taxpayers would also benefit from a share in the savings: the fall in benefits spending should be welcomed by most people, who would see the sense in the government aggregating its buying power – and the waste inherent in the current state of affairs, under which government funds are spent huge inefficiently on basic services provided to claimants.

5

Does the scheme adopt a patriarchal approach, depriving people of choice over their own spending and limiting their independence?

Many consumers' independence is already constrained by their own weakness in the market and their status as high-risk and/or low-value consumers – with outcomes such as their having to use prepayment meters, or paying higher prices for items bought in small quantities. This service would empower people by combining their individual spending powers to form a trading block. It would be entirely voluntary: people could choose to opt in or out at any time. And far from decreasing personal responsibility, it would increase it. These consumers have often been deprived of personal responsibility and the task of planning their spending because the market doesn't trust them – preferring instead to refuse them the credit required to smooth payments over the year or to pay bills in arrears. This service would return to people the responsibility for managing spending on a monthly basis, supporting them to 'normalise' their finances.

6

Would businesses currently serving this market oppose the scheme's introduction?

Some might – for these markets include more than one kind of supplier. Some businesses offer cheap food and services to low-income consumers, making a living by 'piling 'em and high and selling 'em cheap': such companies would be well placed to bid for work as suppliers to the new scheme, making good use of their business model whilst reducing their administrative, marketing and billing costs. Other businesses make their money by taking advantage of poor consumers' weakness in the market – offering sky-high interest rates for unsecured loans, for example, or charging high prices for goods sold in small volumes. These organisations might lose out as the markets were rebalanced to offer more support and security to the poorest in society; but their interests are outweighed by the service's benefits for taxpayers, government's policy aims and wider society.

Summary

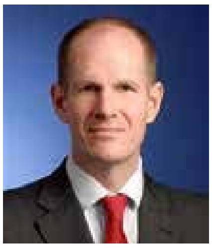
Aggregating individuals' buying power in this way would help to reduce the public finances deficit, produce a more efficient energy market and infrastructure, and secure improved services for the most vulnerable in society – many of whom currently get a worse deal than wealthier citizens. The concept sits well with many government policies and agendas, and uses techniques and systems tested in other successful policies.

If at first glance it seems radical, that's simply because we are only just grasping the endless possibilities for the potential of digital technologies and user-centred design. In years gone by, this kind of service could not have been established without vast, bespoke IT systems, layers of regulation, and substantial organisational change. But today the technologies exist to gather, manage and analyse data in this way, whilst government's ability to deliver digital projects – especially those well-suited to agile development – has much improved.

Whilst we appreciate there are a number of challenges within this piece, it is, just a thought; the results of us exercising our imaginations and approaching social goals or challenges from a new perspective.

Author biographies

To discuss this piece in more detail feel free to contact the authors.



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Sources

1. Competition and Markets Authority, Energy market investigation report (https://www.gov.uk/government/news/cma-sets-out-energy-market-changes)

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Reimagine care

Using digital platforms to improve life for service users and carers

March 2016

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Let's reimagine

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This paper is one of a series of thought experiments in which KPMG staff imagine new ways for government to achieve public policy objectives.

This might mean building services around the user rather than the provider. Or drawing on the huge potential of data and digital technologies. Or tapping into the power of markets, new incentives, transparency, or the wisdom of crowds. In every case, it involves fresh ideas.

To channel our thinking, we imposed three rules.

1. **Ideas must be designed to produce better public outcomes without increasing the burden on the taxpayer.**

2. **They must align with the government's philosophy and headline policies.**

3. **They must be realistic and deliverable.**

But within these rules we want to step outside conventional thinking, and test out new ideas on how public policy goals can be achieved. We want to stretch ourselves, applying new technologies and techniques to solve old problems. We are not calling for a specific future – but we are reimagining it. **What do you think?**

Where we are

Government policies on public services emphasise personalisation, empowering service users to choose providers that best meet their needs. But despite an increase in the use of personal budgets, the offer in social care often falls short of these goals. And it isn't only service users: carers too often operate within a demanding, inflexible system that takes little account of their preferences, requirements and specialisms.

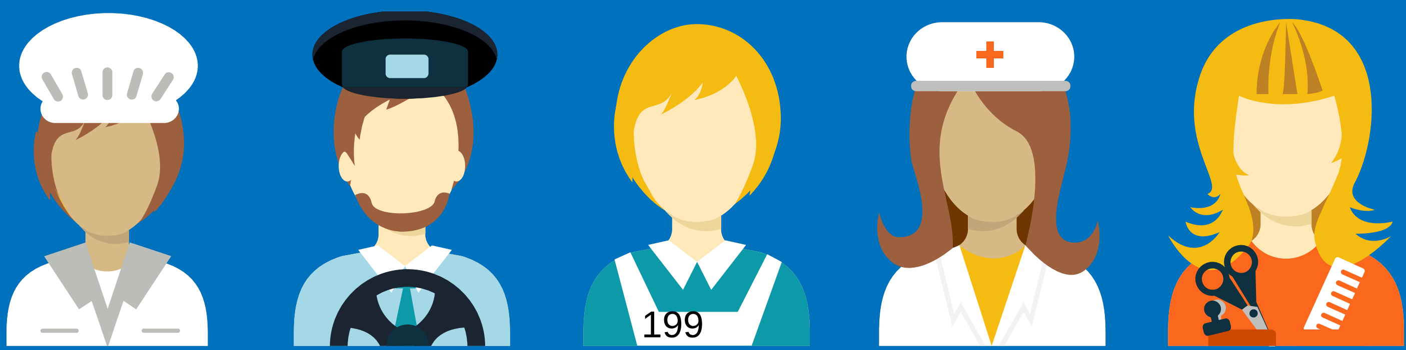
Imagine if, as a service user, you were given a timetable for visits built around your essential needs such as meals, washing and personal care. Someone did talk to you about managing a personal budget but it seemed quite daunting to plan it all. And anyway, even if you set the schedule it still wouldn't be flexible enough. Some days you don't need as much help, or you have relatives or friends who can help out. What if you need the loo but it's hours till your next visit? What if you get hungry between visits? What if you feel able to feed yourself today, but really need a lightbulb changing? Even if you made the plan, it still feels a bit too rigid, doesn't it?

Some of your carers have time to talk, you enjoy their company and you build up a rapport. Others are professional, but not warm. On some days, if there is traffic, or your carer is up against the clock, your visits can feel a little bit rushed. You don't expect to click with everyone but wouldn't it be nice if you could have more of your visits with the people you like?

Now put yourself in the shoes of a carer: you are on or near minimum wage on a 'zero-hours' contract that is difficult or impossible to combine with other work. You receive rigid timetables with sometimes optimistic travel times. There are days when you have barely enough time to get everything done before you have to get in your car and dash to the next appointment. At those times, you'd like to provide a more caring experience, but the service users are not your employer; you work for the care company, whose customer is the local authority.

And now let's imagine you are that company that contracts with the local authority to provide the care. Your performance metrics tend to emphasise efficiency and availability over service users' views and experiences. You understand this. Your customers have seen significant pressure on their budgets, yet have statutory obligations to provide services to an ever-expanding population of people with infirmities, disabilities and long-term conditions. Councils have tried to square this circle by cutting rates, but this only puts more pressure on this narrow-margin industry – paring away at the quality you can offer.

While so many public services become more citizen-centric, we have a system of visiting social care services which poses challenges to carers, providers, commissioners and service users. Users, who often struggle to have their views heard through other channels, and who could benefit more than most from a better level of choice and voice.



Let's reimagine this whole system

Let's ditch the rigid timetables and the staff rosters; the local authority contracting process and the tight-margin care management firms. Could we make service users the clients here, rather than their local authorities – putting them in the driving seat? Could we let people choose the times and types of service they receive, and allow them to select their preferred carer? Could we make caring roles more flexible and attractive, bringing in a new cadre of carers who fit the job around the other things in their life – rather than having to fit their lives around the job? With a change in approach and some relatively straightforward digital technologies, we don't see why not. Just imagine if a service user could request a visit as easily as ordering a taxi.

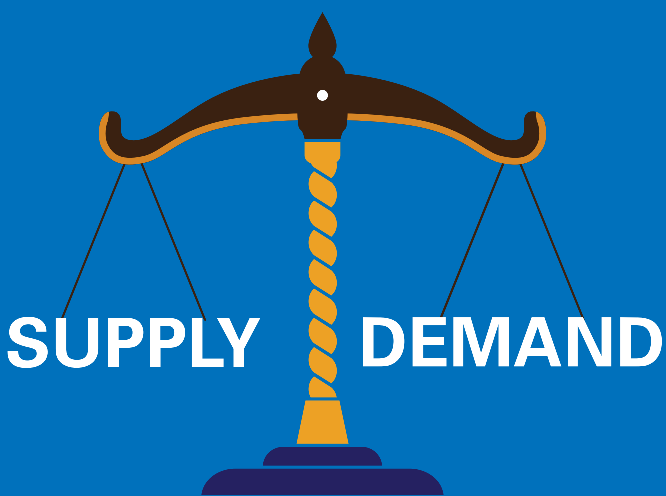
Many local authorities around the country have developed forms of 'personalisation', in which service users can choose to spend their 'budgets' at a range of local services – but these don't generally include home care, instead providing a menu of daytime activities provided by approved firms. With digital technologies, though, it would be possible to take this much further – enabling service users receiving home visits to 'buy' a much wider range of services, at the time of their choosing, from named individuals.

Following an assessment of an individual's care needs, they would be given a 'budget' and a mobile device containing real-time information on all the carers in their area: each carer listing would contain details of their skills and services, their availability, and a rating based on feedback from previous clients. Then they could 'spend' their budget how they chose, requesting the timeslots, the services and the individuals that met their needs that day.

After each visit they'd be asked to score the quality of care, influencing the carers' rating and guiding the choices of other service users. In time they would no doubt come across carers with whom they had a particular bond, and might want to schedule a regular visit; but if their needs changed and they required – for example – someone to unblock the drain or do a bit of shopping for them, then they could always rearrange. And if they had an urgent need for personal care or a meal, they could simply press a button and receive a visit from the first available carer.

On the provider side, this model reduces the costs associated with scheduling appointments and rostering staff. Instead, carers would effectively be self-managed, signalling their skills and availability and letting the technology organise incoming service bids into an efficient route between jobs. So the carer's working lives would be transformed: given the ability to choose when they work and the freedom to decline jobs, the role would grow in status, flexibility and autonomy. This in turn would attract new kinds of people into the job: parents willing to work during school hours; the active retired, happy to do a few jobs a day; the employed who want to earn a little extra in evening work; even volunteers ready to contribute their earnings to charity and, perhaps, to spend a little extra time having a cuppa with their clients.

Of course, not all services are the same: people's needs, locations and characters would affect how attractive a particular job is to carers, so the system would even out these variations by altering the price paid. If a service user's remote location or difficult health condition made it harder for them to attract carers, the price paid for a visit would be raised. If carers with a particular skill proved in short supply, the price for that service would increase until others retrained or entered the market. And if individuals experienced long waiting times on any particular day, a steadily-rising price should encourage carers to squeeze in an extra visit or come on duty.



By passing power from the local authority and the management firm to the service user and the public service worker, this model would return control from institutions to citizens. By providing a real-time picture of service users' evolving needs and the people available to serve them, it would provide a way to dynamically match supply and demand. And by attaching higher prices to services found to be more scarce, it would ensure that gaps in provision were plugged.

Currently, many service users feel as if they get what they're given and carers do what they're told: our rigid system provides services that aren't required whilst ignoring people's changing needs. But under this model, both groups would win back control of their lives in a system that gives each side exactly what it's looking for.

How it would work

There are four parties under this model: the commissioner; the provider; the carers; and the service users. All four would have different 'dashboards' on a shared app that would gather, process and share data.

The commissioner would typically be the local authority, although people ineligible for state-funded care could also access the system – either performing the commissioner's scrutiny duties themselves, or passing that task to the council or their Power of Attorney. The commissioner would perform an oversight role on the work of the provider, scrutinising the system's performance, ensuring that minimum standards are met, and handling any complaints or appeals from service users. It would also receive alerts when the system identified a risk: if, for example, a service user failed to log on or a call for service was left unanswered for too long, then the provider would have to intervene.

The provider would be responsible for conducting care assessments and reviews; recruiting, vetting, training, monitoring and advising carers; providing service users with the right equipment, training and support; adjusting the pricing protocols to ensure that people's needs are being met; and providing a core service to support users with specialist needs or to fill any gaps which the new approach could not fulfil for any reason.

Service users would be given an app and, if required, a simple smartphone or tablet. This would show all the carers available – both in real-time, and through the shifts that carers have chosen to advertise over coming weeks – and prompt users to rate the quality of care after each visit. They could search for individuals' names, high ratings or specific services, and either book visits in advance with particular individuals or simply request an urgent visit from the next available carer. Users would all pay the same for a particular service; the price variation would only affect the fees paid to carers, ensuring that people receive a broadly equal service even where it proves harder to attract a carer for a particular job.

Carers would be carefully vetted and trained, then upload a profile setting out their skills and the services they can offer. They'd be encouraged to set out their availability over future days and weeks: whilst it would be possible to simply switch on their 'taxi cab light' and pick up any unmet demand, those who allowed service users to book in advance would be likely to get the best jobs and the most efficient travel itineraries. And they'd be able to see the ratings and skills of other local carers, along with the proportion of their available time pre-booked – encouraging them to improve their service quality or undertake training in order to get a bigger share of the market.

Whilst service users would pay a fixed price for a specific service, carers would have to keep a close eye on the fees available: some would vary to reflect the need for a longer journey or visit; a higher rate might be paid for unsociable hours visits; and other fees would gradually rise as the system tried to attract a carer for a complex medical condition or an unpopular individual.

Those with the best average ratings would receive more bookings and fill their diaries more quickly; but they could also be paid a small premium for each job, ensuring that great service brings rewards even where supply is so tight that most carers can find plenty of work. As with private sector equivalents such as CheckaTrade, the need to build and retain a good rating would be likely to have a strong positive influence on service providers' behaviour.

Before finalising a booking, carers would be presented with information on relevant travel times – perhaps using local traffic information and data on daily congestion patterns – and the app could suggest diary alterations to make for a more efficient route. Via GPS tracking, the app would monitor carers' locations and keep service users updated on their estimated arrival times. And before a carer arrived at a property, the app would ensure that service users had the carer's photograph and supply both sides with a password to verify identity.

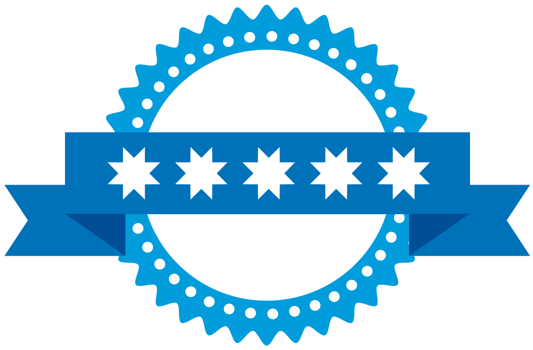
Alignment with public policy objectives

There are many ways in which this idea sits neatly alongside existing government policies, service reform agendas, public sector goals and popular opinion, including:

Personalisation and choice in public services.

Government as a facilitator rather than a provider of public services.

The digital by default agenda, and the aim of rebuilding services to make full use of the potential of data and digital technologies.



The need to drive up the standards of care, focusing on patient needs, safety, and really high-quality service provision.

The public disapproval of 'zero-hours' contracts, and the desire to give people more satisfying, empowering and engaging working lives.

The aim of strengthening the role of competition in public services in order to drive up quality.

The goal of increasing voluntary work and building community cohesion. With the role of carer made much more flexible and autonomous, new kinds of people should be attracted into the field – including volunteers, and others able to spend more time with service users than they're being paid for.

The austerity agenda and 'more for less': this system would do away with much of the administrative work involved in scheduling and managing carers, cutting the costs of delivery. By closely matching demand to supply on a daily basis, it should also improve outcomes and efficiency in service delivery. These are particularly crucial goals in social care: demographic changes and falling council budgets are already weakening services and forcing the government to permit rises in local taxation. The forthcoming rise in the minimum/living wage is set to exacerbate these problems.

Going further

Whilst this app could work at a borough or district level, the market would function more effectively if the system was applied on a larger scale – enabling carers to serve a bigger market, and minimising inefficiencies and perverse outcomes around council boundaries. The city-regional devolution agenda could be helpful here.

Extending the system to a national or regional level would open up further possibilities: perhaps people with relatives receiving care in other parts of the country could provide services to people in their local neighbourhood, gifting the credits earned to their relatives for them to spend.

With the system in place, it could also be extended to cover other forms of work – allowing service users to buy, for example, home repair or decoration services from providers. These providers could pay a charge on work won through the system, helping to fund the care service whilst enabling vulnerable people to buy services from providers who've been vetted, tracked and monitored through the app. This facility could help tackle incidences of fraud, aggressive door-to-door sales, distraction thefts and poor service – major risks for vulnerable people living in their own homes.

Summary

Our current care system offers an inflexible, inefficient service that can deprive users of choice and is unable to flex around people's changing needs and preferences. Just as importantly, it disempowers carers, who have little control over their working lives and are tasked with meeting the needs of their employer rather than their clients. This system has grown up over time as government has tried to meet the ever-growing needs of an ageing population in the face of weakening family support systems, creating a big, low-margin industry built around the interests of local authorities and private providers.

Our suggested system would strip out some of the administrative deadweight and focus on three key goals: providing the right care services for individuals; facilitating councils' responsibilities to meet their statutory obligations; and improving the working lives, morale and performance of carers. Digital technologies enable us to rethink our system of care visits from first principles, building a replacement that prioritises the rights, choices and wellbeing of individuals rather than the interests and budgets of organisations.

Author biography

To discuss this piece in more detail feel free to contact the author.

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