



Local Government Technical update

Northampton Borough Council

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in connection with this
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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)	KPMG perspective
<p>Following the Audit Commission's closure local authority external audits are currently governed by transitional arrangements under the <i>Local Audit and Accountability Act 2014</i>, 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:</p> <ol style="list-style-type: none">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; or3. Join a 'sector led body' arrangement where an approved third party procures audit on behalf of multiple bodies. <p>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.</p> <p>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</p> <p>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.</p>	<p><i>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.</i></p>

Appointment of external auditor (cont.)

Level of impact: ● (Medium)	KPMG perspective
<p>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.psa.co.uk/wp-content/uploads/2016/01/Learning-the-lessons-from-the-2012-and-2014-Audit-Commission-procurements-of-audit-services.pdf</p> <p>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.</p> <p>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 <i>Local Audit (Appointing Person) Regulations 2015</i>. 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.psa.co.uk/supporting-the-transition/appointing-person/</p>	

Business Rates Retention

Level of impact: ● (Medium)	KPMG perspective
<p>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.</p> <p>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.</p> <p>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.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p><i>The Committee may wish to enquire of officers whether their Authority responded to the consultation and the views expressed.</i></p>

NAO Report on Capital Expenditure and Resourcing

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

PSAA's Value For Money Tool

Level of impact: ● (Low)	KPMG perspective
<p>The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 1 July 2016.</p> <p>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.</p> <p>The VFM profiles have also been updated with the latest available data from the following sources:</p> <ul style="list-style-type: none">— 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)	<p><i>The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.</i></p>

Technical developments

PSAA's Value For Money Tool (cont.)

Level of impact: ● (Low)	KPMG perspective
<ul style="list-style-type: none">— 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) <p>The Value For Money Profiles can be accessed via the PSAA website at http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</p>	

Whole of Government Accounts

Level of impact: ● (Low)	KPMG perspective
<p>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.</p> <p>HM Treasury has confirmed in its guidance that the deadlines for local government WGA submissions are as follows:</p> <ul style="list-style-type: none">— 12 August: the DCT to be submitted by the authority for auditor review.— 21 October: auditor’s work to be completed. <p>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.</p>	<p><i>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.</i></p>

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.

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/

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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