

Corporate Governance and Standards Committee Report
Report of the Managing Director (Chief Financial Officer)

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Date: 23 July 2015

External Audit Update

Executive Summary

The Council's external auditors, Grant Thornton, have issued, at **Appendix 1**, the latest edition of a periodic update that they prepare for this Committee. The update covers the progress of the 2014-15 external audit up to July 2015 and provides a work programme for the rest of the audit to September 2015. The paper identifies a number of emerging local government issues, contained in various documents published by Grant Thornton, the Local Government Association (LGA), the National Audit Office (NAO) and the Department for Communities and Local Government (DCLG). It also identifies some 'Accounts hot issues' for members of the Committee to consider in reviewing the draft statement of accounts presented separately on this agenda.

Recommendation to Corporate Governance and Standards Committee

That the Committee comments on and notes the content of the External Auditor's update report.

Reason for Recommendation:

To enable the Committee to consider and comment on the update report.

1. Purpose of Report

- 1.1 This report presents the latest edition of a periodic update that our external auditors will prepare for this Committee.

2. Strategic Framework

- 2.1 The Developing your Council theme within the Corporate Plan 2013-16 sets out the Council's key priorities of improving value for money and efficiency in service delivery and improving the Council's governance structures. The annual audit by Grant Thornton contributes to the achievement of those priorities.

3. Background

- 3.1 Grant Thornton periodically presents an ongoing update of the progress of the annual audit. Attached at **Appendix 1** is the latest of these updates.
- 3.2 The update covers the progress up to July 2015 and provides a work programme for the rest of the audit to September. The paper identifies a number of emerging local government issues, contained in various documents published by Grant Thornton, the Local Government Association (LGA), the National Audit Office (NAO) and the Department for Communities and Local Government (DCLG). It also identifies some 'Accounts hot issues' for members of the Committee to consider in reviewing the draft statement of accounts presented separately on this agenda.

Accounts Hot Issues

- 3.3 Officers have reviewed the business rates appeals provision for 2014-15 and included an updated provision in note 21 to the Council's Statement of Accounts.
- 3.4 Officers have also reviewed the impact of the employment tribunal case regarding the inclusion of overtime in the calculation of holiday pay mentioned on page 14 of **Appendix 1**. We have identified a potential cost impact on the Council however; due to the amount being immaterial, we have not included a provision in the 2014-15 financial statements.

Emerging Issues

- 3.5 The update report also summarises various documents published by Grant Thornton, the Local Government Association (LGA), the National Audit Office (NAO) and the Department for Communities and Local Government (DCLG).
- 3.6 Page 7 of Appendix 1, contains a summary of the document 'Spreading their Wings' by Grant Thornton. Guildford's Officer Corporate Management Team (CMT) have recently held a workshop with Grant Thornton and which looked at alternative models of service delivery and the potential opportunities for Guildford Borough Council. Officers are reviewing the potential opportunities that have been identified and have been discussing potential opportunities and ideas to be worked up into business cases with the Executive. It is envisaged that at least one of these business cases will be put forward as part of the business planning exercise for 2016-17 to 2019-20.
- 3.7 The Queens Speech 2015 to Parliament and subsequently the Summer Budget presented to parliament in July 2015 presents the Council with a number of issues, particularly in relation to Housing and the Council's HRA business plan as follows:
- a. The Housing bill proposes extending the right to buy legislation to housing associations and requiring local authorities to dispose of high value vacant council houses. The Council is awaiting further detail on the

proposals, in particular the definition of 'high value stock' however, it is anticipated that given the average value of Guildford's council house stock, the proposal may impact us significantly and potentially mean that we may need to dispose of up to 50% of any stock that becomes vacant. This would both significantly affect the HRA business plan and cause a depletion of the Council's stock of social houses. It will also affect the Council's future ability to provide much needed affordable and social houses in the borough.

- b. The proposal in the summer budget to reduce social housing rents by 1% per annum could cost the Council around £600,000 in 2016-17 and potentially up to £8-£10million in lost revenue over a 4 year period.
- c. The proposal in the summer budget to charge market rent on households whose earnings are in excess of £30,000 will be difficult to administer and the additional revenue will need to be returned to central government. It is anticipated that this change will also lead to an increase in right to buy sales.
- d. Further changes to welfare are likely to increase arrears for council tax and housing and place further pressure on the Council's homelessness service.

Further details regarding the issues faced by the Council resulting from the summer budget announcements on housing will be provided in the forthcoming period 3 HRA budget monitoring report.

- 3.8 Officers are reviewing the remaining documents and will brief councillors on their impact if necessary.

4. Financial Implications

- 4.1 There are no direct financial implications as a result of this report.

5. Legal Implications

- 5.1 ISA 260, Communication of audit matters with those charged with governance, requires the auditor to outline the audit strategy and plan to deliver the audit. The External Audit Update at Appendix 1 sets out the work and progress to date carried out by the auditors in relation to their audit plan for 2014-15.

6. Human Resource Implications

- 6.1 There are no human resource implications to the report

7. Conclusion

- 7.1 The report presents the latest edition of a periodic update that our external auditors will prepare for this Committee. The update covers the progress up to July 2015 and provides a work programme for the rest of the audit to September.

8. Background Papers

None

9. Appendices

Appendix 1 – Grant Thornton: External Audit Update for the Corporate Governance and Standards Committee of Guildford Borough Council year ended 31 March 2015.