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# External audit technical update

**Wiltshire Council**

January 2015

The report 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 info

KPMG RESOURCES					
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years					3
TECHNICAL UPDATE					
CIPFA and HFMA guidance on the Better Care Fund and S.75 budgets	●	5	Tool launched to help councils compare care performance on social care	●	10
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	●	6	NAO published a report examining the progress to date on the implementation of the Better Care Fund (BCF)	●	10
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	●	6	The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work.	●	11
Audit commission consultation for the 2015/16 proposed work programme and scale fees	●	7	The Audit Commission publish the Protecting the Public Purse 2014 (PPP 2014) report.	●	12
Transfer of Audit Commission responsibilities from 1 April 2015	●	8	Audit Commission publish: an update on Council tax and business rates collection.	●	12
Audit commission consultation on supplementary fee for the 2014/15 accounts – work on business rates	●	9	VFM profiles updated for the 2014/15 data sourced from DCLG	●	13
VFM data briefing on expenditure on looked after children	●	10	NAO have published two complimentary reports examining local authority finances: <ul style="list-style-type: none"> <li>■ The financial Sustainability of local authorities 2014 and;</li> <li>■ The impact of funding reductions in local authorities</li> </ul>	●	14



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# KPMG resources

Area	Comments
<p><b>KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</b></p>	<p>Without a radical programme of house building, average house prices in England could double in just ten years to £446,000, according to new research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 by 2034 if current trends continue.</p> <p>The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p>The warning comes as KPMG and Shelter launch a landmark new report, outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p>The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul style="list-style-type: none"> <li>■ Giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land.</li> <li>■ Unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed.</li> <li>■ Introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building.</li> <li>■ Helping small builders to get back into the house building market by using government guarantees to improve access to finance.</li> <li>■ Fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need.</li> </ul> <p>To read the report, visit <a href="https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf">https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf</a>.</p> <p>For more information, please contact a member of the audit team.</p>



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# Technical update

Area	Level of Impact	Comments	KPMG perspective
<p><b>CIPFA and HFMA guidance on the Better Care Fund and S.75 budgets</b></p>	<p style="text-align: center;">● <b>High</b></p>	<p>The Healthcare Financial Management Association (HFMA), in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA), has released for finance professionals as part of plans to implement the Better Care Fund.</p> <p>The guidance looks at:</p> <ul style="list-style-type: none"> <li>■ the legislation and regulations that underpin the operation of a pooled budget;</li> <li>■ the finance, governance and operational arrangements that clinical CCGs and local authorities need to be discussing and putting in place now in order to be ready for 'go live' on 1 April 2015; and</li> <li>■ the accounting standards that will apply and need to be considered in advance of preparing the signed agreement that will underpin the pooled budget.</li> </ul> <p>Whilst the guidance has been prepared by the HFMA and is primarily targeted at NHS bodies, it also covers local authorities and so may be of interest of local government bodies.</p> <p>For further information see the HFMA guidance at <a href="http://www.hfma.org.uk/NR/rdonlyres/7BF426D9-4CDE-4D4A-B6F9-16CDD17E5F9D/0/BCFguidance.pdf">http://www.hfma.org.uk/NR/rdonlyres/7BF426D9-4CDE-4D4A-B6F9-16CDD17E5F9D/0/BCFguidance.pdf</a></p>	<p><i><b>The Council is currently working with Wiltshire CCG to establish pooling around care, with a view to look at areas including Learning Disabilities</b></i></p>

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<b>National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>Medium</b></p>	<p>On Friday 19 September 2014 the National Audit Office (NAO) launched its consultation on the draft Code of Audit Practice for the audit of local public bodies. Subject to Parliamentary approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015/16 financial year onwards.</p> <p>The NAO is seeking views and comments on the draft Code. In particular, the views of audited bodies are being sought on how valuable the work carried out each year on value-for-money arrangements is. The closing date for consultation responses was Friday 31 October 2014.</p> <p>For more information visit <a href="http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/">http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/</a></p>	<p><i><b>The Council supported the Society of County Treasurer's response</b></i></p>
<b>Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>Medium</b></p>	<p>CIPFA and CIPFA/LASAAC have recently consulted on the Simplification and streamlining of the presentation of local authority financial statements.</p> <p>The consultation focused on the reporting of local authority performance and therefore on the comprehensive income and expenditure statement, the movement in reserves statement and the segmental reporting requirements specified in the Code of practice on local authority accounting in the United Kingdom. As an important part of reporting performance, it also considered the narrative reporting requirements which would accompany the financial statements.</p> <p>The consultation closed on 19 September 2014.</p>	<p><i><b>The Council's s.151 Officer sits on LASAAC as senior practitioner so was involved in drafting the consultation. As a result the Council is aware of the matter and reviewing consequences for it.</b></i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>Audit commission consultation for the 2015/16 proposed work programme and scale fees.</b></p>	<p>● Low</p>	<p>On the 13<sup>th</sup> October 2014 The Audit Commission published for consultation the 2015/16 proposed work programme and scales of fees.</p> <p>Separate documents cover the Commission’s work programme at local government and police bodies, and at health bodies. The consultation sets out the work that auditors will undertake at principal audited bodies for 2015/16, with the associated scales of fees. The Department for Communities and Local Government (DCLG) has asked the Audit Commission to set fees for 2015/16 before the Commission’s closure on 31 March 2015.</p> <p>They are proposing to reduce scale fees by a further 25 per cent from 2015/16. They do not plan to make changes to the overall work programme. The fee reduction will apply to all principal bodies, with the exception of 15 local government bodies whose scale audit fees are already below £20,000, and of the fees for pension fund audits at local authorities.</p> <p>The 25 per cent fee reduction has been achieved as a result of the recent procurement exercise to retender the work undertaken under the older contracts with audit firms, and is in addition to the 40 per cent cut in fees made by the Commission in 2012. These savings are part of the legacy the Commission will leave behind after March 2015, with the lowest total audit fees for 25 years.</p> <p>The Commission is also making further rebates in respect of audit fees to audited bodies, returning another £6 million to most principal bodies, excluding CCGs.</p> <p>The rebates will be paid by cheque directly to audited bodies in October 2014. The rebates result from the efficient management of the Commission’s closure. The Commission’s Board will consider in March 2015 the amount of any final rebate on audit fees.</p> <p><b>The consultation closes on Friday 9 January 2015.</b> The Commission will publish the final work programme and scales of fees for 2015/16 in March 2015.</p> <p>The consultation documents, and the lists of individual scale fees, are available on the Audit Commission website: <a href="http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/">http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/</a></p>	<p><i>The Council is aware of the matter and this issue is covered in other items reported to this Committee</i></p>



Area	Level of Impact	Comments	KPMG perspective
<b>Transfer of Audit Commission responsibilities from 1 April 2015</b>	<p style="text-align: center;">● Low</p>	<p>The work that auditors will carry out on 2015/16 accounts will be completed under the new Code of Audit Practice that the National Audit Office (NAO) is developing. Under the Local Audit and Accountability Act 2014 the Commission's responsibility to prepare and publish a Code transfers to the NAO.</p> <p>From 1 April 2015, Public Sector Audit Appointments (PSAA), set up by the Local Government Association as an independent company, will oversee the Audit Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to PSAA.</p> <p>The Commission's other functions will also transfer to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the National Audit Office, the National Fraud Initiative to the Cabinet Office, and the counter-fraud functions to Chartered Institute of Public Finance and Accounting (CIPFA).</p> <p>The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commission's functions and where to find details on specific questions.</p>	<p><i>The Council is aware and is talking to neighbouring authorities and they have suggested an update be brought to this Committee later in 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>Audit commission consultation on supplementary fee for the 2014/15 accounts – work on business rates</b></p>	<p>● Low</p>	<p>The Audit Commission is also consulting on a supplementary fee for the audit of the accounts for 2014/15 for audit work required on business rates. The consultation applies to district, unitary, metropolitan borough and London borough councils. <b>The consultation closed on Friday 7 November 2014.</b></p> <p>Auditors are no longer required to undertake certification work for the Department of Communities and Local Government on national non-domestic rates, following the introduction in April 2013 of new arrangements for collecting and distributing business rates. In completing their work on the financial statements of applicable councils, auditors previously placed reliance on their certification work on national non-domestic rates. In the absence of this work, auditors need to undertake additional audit procedures on material business rates balances and disclosures in the financial statements.</p> <p>The additional audit work requires a small additional fee for applicable councils, equivalent to half the average cost by council type of the relevant certification work undertaken in 2012/13. The additional fee by council type is:</p> <ul style="list-style-type: none"> <li>■ district councils : £900;</li> <li>■ London borough councils: £2,600;</li> <li>■ metropolitan borough councils: £1,470; and</li> <li>■ unitary authorities: £1,070.</li> </ul> <p>The additional fee represents a net saving to councils of half the average previous certification fees by council type. Following consultation, the additional fee will be added to the scale audit fee for 2014/15 onwards.</p>	<p><i>The Council is aware of the matter and has noted it.</i></p>

Area	Level of Impact	Comments
<b>VFM data briefing on expenditure on looked after children</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Audit Commission has published Councils' expenditure on looked after children, the latest in its series of VFM data briefings analysing data in the VFM profiles.</p> <p>The briefing reports that, although the number of looked after children increased by 12 per cent between 2008/09 and 2012/13, councils' expenditure increased by only 4 per cent. Reductions in the daily cost of care and an increase in the proportion of children receiving foster care saved a total of £239 million, partially offsetting the spending pressure arising from the increased number of children in care.</p> <p>The briefing looks in more detail at some of the factors which influence how much councils spend on foster care and encourages councils to use the VFM Profiles to compare their costs with those of similar councils.</p> <p>The briefings can be found at: <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2</a></p>
<b>Tool launched to help councils compare care performance on social care</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Department of Health has launched a new tool to help councils compare their performance on social care with similar areas across England. The tool groups upper tier and unitary authorities by their spending on the over-65s and working age adults with learning disabilities. The aim is to help local authorities see how they are meeting various indicators, and to identify areas for improvement by viewing the performance of their peers.</p> <p>The tool can be found at: <a href="https://www.gov.uk/government/publications/adult-social-care-efficiency-tool">https://www.gov.uk/government/publications/adult-social-care-efficiency-tool</a></p>
<b>NAO published a report examining the progress to date on the implementation of the Better Care Fund (BCF)</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The National Audit Office (NAO) has recently published a report examining the progress to date on the implementation of the Better Care Fund (BCF). Whilst the programme is recognised as being an innovative idea, the NAO highlights issues with the quality of early preparation and planning. It also finds that initial plans, submitted by all 151 local health and wellbeing boards in April 2014, did not generate the level of savings the Government anticipated and all plans had to be resubmitted.</p> <p>Planning for the Fund paused between April and July 2014 while the Government reviewed and revised the Fund's scope and how the £1 billion pay-for-performance part of the Fund would work. Independent assurance of the revised Fund plans found them to be stronger and better supported. Almost two-thirds of plans were either approved by Ministers or approved with support and only 5 plans were not approved. The biggest risk area identified is to the protection of social care services with 21 local areas assessed as having significant risks.</p> <p>The report can be found on the NAO website: <a href="http://www.nao.org.uk/report/planning-better-care-fund-2/">http://www.nao.org.uk/report/planning-better-care-fund-2/</a></p>

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<p>The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work.</p>	<p>● For information</p>	<p>The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work. The guidance supports auditors' work on arrangements to secure VFM at the following types of audited body:</p> <ul style="list-style-type: none"> <li>■ NHS trusts;</li> <li>■ clinical commissioning groups (CCGs);</li> <li>■ single-tier, county and district councils;</li> <li>■ fire and rescue authorities;</li> <li>■ the Greater London Authority, the London Legacy Development Corporation and Transport for London;</li> <li>■ police bodies; and</li> <li>■ other local government bodies.</li> </ul> <p>The key principles underpinning the Commission's approach on the conclusion on arrangements to secure VFM continue to be that it:</p> <ul style="list-style-type: none"> <li>■ enables auditors to fulfil their responsibility under the Audit Commission Act 1998, relating to an audited body's arrangements to secure economy, efficiency and effectiveness; and</li> <li>■ is applied proportionately to reflect the size, capacity and performance of different types of audited body and, as far as possible, consistently across all sectors of the Commission's regime.</li> </ul> <p>The main changes in the update for 2013/14 are set out in section 1.1 of the guidance. These are:</p> <ul style="list-style-type: none"> <li>■ sections 1 and 2 updated to reflect changes relating to the Commission's closure in March 2015;</li> <li>■ sector context and risk indicators updated for sections 3 to 6;</li> <li>■ section 4 on Clinical Commissioning Groups (CCGs) updated to apply the specified reporting criteria, recognising that 2014/15 represents CCGs' second full year of operations; and</li> <li>■ section 8 on reporting updated to emphasise further the type of conclusions that can be issued at different bodies, and when these may or may not be appropriate.</li> </ul> <p>The updated guidance is now available on the Audit Commission's website: <a href="http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/value-for-money-conclusion/">http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/value-for-money-conclusion/</a></p>

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<p>The Audit Commission publish the <i>Protecting the Public Purse 2014 (PPP 2014)</i> report.</p>	<p>● For information</p>	<p>On 23 October 2014 the Audit Commission published the <i>Protecting the Public Purse 2014 (PPP 2014)</i> report. PPP 2014 is for those responsible for governance in local government. PPP 2014 includes:</p> <ul style="list-style-type: none"> <li>■ the scale and value of fraud detected by local government bodies in 2013/14;</li> <li>■ longer term trends in fraud detection, including tenancy fraud;</li> <li>■ trends and threats in other significant fraud types; and</li> <li>■ national developments impacting on local government counter-fraud.</li> </ul> <p>In addition, PPP 2014:</p> <ul style="list-style-type: none"> <li>■ gives details of detected frauds and losses by region;</li> <li>■ updates our checklist for those responsible for governance; and</li> <li>■ highlights the second year of a programme of individual fraud briefings for councils.</li> </ul> <p>The Audit Commission have issued fraud briefings to auditors in November 2014 for individual county councils, district councils, London boroughs, metropolitan district and unitary councils.</p>
<p>Audit Commission publish: an update on Council tax and business rates collection.</p>	<p>● For information</p>	<p>The Audit Commission has published an update to the Council tax and business rates collection VFM briefing, the last in its series of VFM data briefings analysing data in the VFM Profiles. The briefing looks at the amount of council tax and business rates councils collected and their collection rates in 2013/14 – the first year of new localised council tax support schemes and business rate retention arrangements.</p> <p>By the end of 2013/14 councils had collected £46.05 billion of the £47.26 billion due to be paid that year, leaving £1.21 billion uncollected. Council tax collection rates were 0.4 per cent lower than in 2012/13 but business rates collection rates were 0.2 per cent higher. Council tax debt from 2013/14 and previous years increased by 6 per cent. The proportion of debt from previous years that councils collected ranged from 2 per cent to 76 per cent and the proportion of debt written off ranged from 1 per cent to 32 per cent.</p> <p>Nearly four fifths of councils collected more business rates in 2013/14 than they did in 2012/13 in real terms and so were likely to benefit from the new business rates retention arrangements.</p> <p>The update can be found on the Audit Commission website: <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>

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<p>VFM profiles updated for the 2014/15 data sourced from DCLG</p>	<p>● For information</p>	<p>The Audit Commission VFM profiles planned budget section now contains the 2014/15 data sourced from the Department for Communities and Local Government – General Fund Revenue Account Budget (RA). The values are adjusted with gross domestic product (GDP) deflators from the HM Treasury's publication in June 2014.</p> <p>Other sections of the VFM profiles have also been updated with the latest data values for the following data sources:</p> <ul style="list-style-type: none"> <li>■ Mid-year population estimates</li> <li>■ Planning applications</li> <li>■ Fuel poverty</li> <li>■ Climate change statistics</li> <li>■ Active people survey</li> <li>■ NHS delayed transfers of care</li> <li>■ Finance and general statistics</li> <li>■ Provision for children under five years of age in England</li> <li>■ Young people from low income backgrounds progressing to higher education</li> <li>■ Collection rates for council tax and non-domestic rates</li> <li>■ Housing benefit speed of processing</li> <li>■ Housing benefit recoveries and fraud data</li> <li>■ Housing benefit caseload statistics</li> <li>■ Child and working tax credit statistics</li> <li>■ Children in low-income families local measure</li> <li>■ Special educational needs in England</li> <li>■ Homelessness statistical release (P1E)</li> <li>■ Fire statistics monitor</li> <li>■ Fire and rescue authorities operational statistics bulletin</li> <li>■ Fire and rescue service statistics</li> </ul> <p>The VFM profiles can be seen on the Audit Commission website: <a href="http://www.audit-commission.gov.uk/information-and-analysis/">http://www.audit-commission.gov.uk/information-and-analysis/</a></p>

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<p><b>NAO have published two complimentary reports examining local authority finances:</b></p> <ul style="list-style-type: none"> <li>■ <b>The financial Sustainability of local authorities 2014 and;</b></li> <li>■ <b>The impact of funding reductions in local authorities</b></li> </ul>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The National Audit Office (NAO) has recently published two complimentary reports examining local authority finances: Financial sustainability of local authorities 2014 and The impact of funding reduction of local authorities. The reports include findings based on surveys of Commission appointed auditors carried out since 2001 by the Commission. The NAO were provided with anonymised analysis of the survey findings by the Commission in order to support this work.</p> <p>The NAO finds that local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. Over a quarter of single tier and county councils (those authorities responsible for social care and education) had to make unplanned reductions in service spend to deliver their 2013/14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52 per cent of single tier and county councils not being well-placed to deliver their medium-term financial plans.</p> <p>The NAO also found that there is significant variation in the way that authorities have responded to the funding reductions. Authorities that have had larger cuts in government funding have not been able to protect funding of adults' and children's social care to the same extent as those with lower cuts. The report also shows that certain sub-services have experienced very substantial cuts in spending. Spending on the Supporting People programme, housing support and advice for vulnerable people fell by 45 per cent. Between 2010/11 and 2013/14, budgeted real terms spending on services for young people fell by 34 per cent.</p> <p>The reports can be found on the NAO website</p> <ul style="list-style-type: none"> <li>■ Financial sustainability of local authorities 2014: <a href="http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/">http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/</a></li> <li>■ The impact of funding reductions on local authorities: <a href="http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/">http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/</a></li> </ul>



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