

## **GOVERNANCE COMMITTEE**

WEDNESDAY, 20TH MARCH 2019, 2.30 PM  
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

### **AGENDA**

#### **APOLOGIES**

- |   |  |                 |
|---|--|-----------------|
| 1 | <b>MINUTES OF MEETING WEDNESDAY, 23 JANUARY 2019 OF GOVERNANCE COMMITTEE</b>   | (Pages 3 - 8)   |
| 2 | <b>DECLARATIONS OF ANY INTERESTS</b><br><br>Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.<br><br>If you have a pecuniary interest you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter. |                 |
| 3 | <b>EXTERNAL AUDIT PLAN 2018/19</b><br><br>To receive and consider a report from the external auditor, Grant Thornton.  | (Pages 9 - 24)  |
| 4 | <b>AUDIT PROGRESS AND SECTOR UPDATE REPORT</b><br><br>To receive and consider a report from the external auditor, Grant Thornton.  | (Pages 25 - 42) |
| 5 | <b>INTERNAL AUDIT PLAN 2019/20</b><br><br>Report of the Interim Head of Shared Assurance Services (to follow).   | (To Follow)     |
| 6 | <b>INTERNAL AUDIT PLAN 2018//19 QUARTER 4 PROGRESS REPORT AS AT FEBRUARY 2019</b><br><br>Report of the Interim Head of Shared Assurance Services (to follow).  | (To Follow)     |
| 7 | <b>LOCAL GOVERNMENT ETHICAL STANDARDS: A REVIEW BY THE COMMITTEE ON STANDARDS IN PUBLIC LIFE</b><br><br>To receive and consider the report of the Monitoring Officer.  | (Pages 43 - 54) |

8 **PROCESS FOR AUTHORISING DRAFT STATEMENT OF ACCOUNTS 2018/19 FOR RELEASE**

A verbal update will be provided at the meeting.

9 **RIPA APPLICATION UPDATE**

The Monitoring Officer will present a verbal report at the meeting.

10 **GOVERNANCE COMMITTEE WORK PROGRAMME 2019/20**

To receive and consider the draft work programme for 2019/20.

11 **ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE CHAIR**

(Pages 55 - 56)

GARY HALL  
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Yvonne Hargreaves, Steve Holgate and Kim Snape.

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or [chorley.gov.uk](http://chorley.gov.uk)



**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE**                      **Wednesday, 23 January 2019**

**MEMBERS PRESENT:**      Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Gordon France, Yvonne Hargreaves, Steve Holgate and Kim Snape

**OFFICERS:**                      Gary Hall (Chief Executive/Statutory Finance Officer), Chris Moister (Head of Legal, Democratic & HR Services/Monitoring Officer/Data Protection Officer), Janice Bamber (Interim Head of Shared Assurance Services) and Nina Neisser (Democratic and Member Services Officer)

**APOLOGIES:**                      Councillor Alan Cullens

**OTHER MEMBERS:**              Peter Ripley (Independent Member), Mark Heap (Grant Thornton UK LLP) and Simon Hardman (Grant Thornton UK LLP)

**18.G.47 Minutes of meeting Wednesday, 21 November 2018 of Governance Committee**

**Decision – That the minutes of the Governance Committee meeting held on 21 November 2018 be confirmed as a correct record for signing by the Chair.**

**18.G.48 Declarations of Any Interests**

There were no declarations of any interests.

**18.G.49 Chorley Governance Committee Update Report**

The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities.

Planning had started for the 2018/19 financial statements audit and Grant Thornton were due to commence their interim audit in February 2019. The Value for Money assessment, which would be based on the same criteria as last year, would commence later in the year with a Value for Money conclusion being provided by the deadline of 31 July 2019. The Committee discussed the impact of Brexit and although Grant Thornton were unsure as whether this would pose a major issue at present, they proposed that planning would be put in place to monitor this.

Several additional points were highlighted within the report that included certifying the Council's annual Housing Benefit Subsidy claim, regular meetings with the Chief

Executive and the Finance Team, and the provision of accountant's workshops to ensure that councils are up to date with the external auditors' ways of thinking.

Members recognised potential differences in ways of thinking and discussed the effect this could have on the council's ongoing strategic projects. The Committee were advised that how an asset was determined was dependent on how individuals treated it. Members were reassured that the risk factors had been considered and investments would be monitored.

**Decision – That the report be noted.**

#### **18.G.50 Chorley Certification Letter 2017/18**

The External Auditors were required to certify the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of over £24 million. Details of the claim certified were appended to the report and confirmed that only two minor issues had been highlighted for attention. Overall, Grant Thornton advised that the report was very positive.

Detailed testing had taken place in September – November 2018 which revealed some minor issues. It was worthy to note that the second of these minor issues involved an error on inputting a manual adjustment. The amount was entered incorrectly by 4p. Additional testing subsequently took place which revealed that no other errors affected the subsidy.

Following the publication of the Certification letter, Chorley Council responded to Grant Thornton and requested that the certification letter be amended. It was advised that the council declined to complete the workbooks, as requested as part of the further testing, as it was the council's view that the evidence required could be provided without completing the workbooks. The calculation carried out by the council's software could be relied on to be accurate and it was not felt necessary to replicate this calculation in a workbook in order to prove accuracy. Grant Thornton agreed to this approach by email and also agreed that the completion of the workbooks offered no value in this instance.

A qualification letter was agreed with the Council setting out the original errors, and this was submitted to the DWP with the certified claim. Following reassurances from the council as to the action taken and quality control measures in place, the DWP confirmed that they did not require the council to carry out any further work with the two errors identified by Grant Thornton. The committee were happy with the outcome and were reassured by the thorough checks undertaken.

**Decision – That the report be noted.**

#### **18.G.51 Internal Audit Progress Report as at 31st December 2018**

The Interim Head of Shared Assurance Services presented a report that advised members of the Committee of the work undertaken on the Internal Audit Plans for Chorley Council and Shared Services for the period 1 April 2018 to 31 December 2018.

Progress had been made against the Audit Plan, however, there had been ongoing resource issues and whilst these had subsequently been resolved, the delivery of the

audit plan had been impacted. The plan indicated a number of pieces of work that were at Draft Report stage and would be completed and issued by the end of January 2019.

The main pieces of work undertaken included, General Data Protection Regulation (GDPR), service risk registers, the National Fraud Initiative (NFI) and Treasury Management. It was advised that the team had 132 days until the last weekend of March, with 137 days of work to fulfil and therefore one or two pieces of work could run over the deadline. Reassurances were given that to address this, the key risks had been prioritised with other projects reduced to help balance the days and staff from LCC would be helping with a project of work in February/March.

Following concerns, Members were reassured that the Interim Head of Shared Assurance Services was meeting with staff on a weekly basis to closely monitor the audit process and updating Gary Hall every fortnight to help address any potential issues as soon as possible.

**Decision – That the report be noted.**

#### **18.G.52 Government Requirements of the Capital Strategy Report**

The Chief Executive informed the Committee of the new requirement in 2019 for councils to submit a Capital Strategy report alongside the budget setting papers which would be going to Full Council on 26 February 2019.

The Capital Strategy Report aimed to introduce a more strategic report to provide an overview to decision makers of the investment and borrowing risk position of the authority and the governance arrangements in place to manage those risks. This was a reaction to the increasing number of councils investing in commercial assets to generate revenue and bridge budget deficits.

It was advised that no Government guidance on contents had been produced at the time of the meeting and it was therefore up to the individual local authorities to determine. The report set out some of the things intended to be included. In summary these included; capital expenditure, treasury management, commercial activity and knowledge and skills.

As the report covered treasury management activity, it was possible to combine the Treasury Management Strategy into the Capital Strategy. This would be the decision of the council however; Officers proposed that the existing Treasury Management Strategy and the Capital Strategy remain separate.

Following queries, Members were reassured that implementation of the strategy did not seek to deter local authorities but to ensure that proper governance was in place. The Committee agreed that the intended information be included and recognised that this would be an evolving document with best practice shared amongst councils in the future.

**Decision;**

- 1. That the report be noted.**
- 2. That members note where the council could meet with requirements of the guidance and to note where further work would be required.**

- 3. That members provide any input into what they believe should be included in the Capital Strategy report.**

**18.G.53 Standards Report**

The Monitoring Officer presented a report updating members of the Governance Committee on complaints that had been received on Standards Matters in the calendar year 2018.

One matter had been referred for investigation, one was referred for local resolution, one was viewed as tit for tat, and one did not raise behaviour that took place when the individual was acting as a councillor. Of the complaints received, one related to a borough councillor with the remaining complaints being brought against parish councillors. Further details of these matters had been summarised in the report.

As such, the low number of complaints received, and the nature of the matters raised did not demonstrate a significant issue with the behaviours of parish or local councillors within the borough.

Code of Conduct Training had been provided to new Members this year. No training sessions had been provided to parishes on the Code of Conduct although the Monitoring Officer remained committed to providing it on request. It was intended to offer both Borough and Parish Councillor Training in the coming year. Members of the Committee commended the low level of complaints and highly recommended that both Borough and Parish/Town Councillors attend the training.

**Decision – That the report be noted.**

**18.G.54 GDPR; Audit Plan**

The Data Protection Officer presented a report advising members of the Governance Committee on the monitoring arrangements to be implemented in relation to the General Data Protection Regulations.

A data breach under General Data Protection Regulations posed a risk to the council. The Council was therefore looking to mitigate this risk by demonstrating a comprehensive programme of monitoring compliance with the requirements of the legislation. It was proposed that the following works be undertaken to ensure continued compliance; quality assurance checks, compliance audits, performance indicators, complaints monitoring and review and training.

A risk register had been updated to reflect non-compliance during the implementation of the regime and would be updated to reflect continuing risks. Members were happy with the report and programme in place to monitor compliance and it was advised that an update report would be brought back to the Committee in 12 months.

**Decision – That the report be noted.**

**18.G.55 RIPA Application Update**

The Monitoring Officer reported that there had been no RIPA applications made.

**18.G.56 Work Programme**

The Committee considered the work programme which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

Chair

Date

This page is intentionally left blank

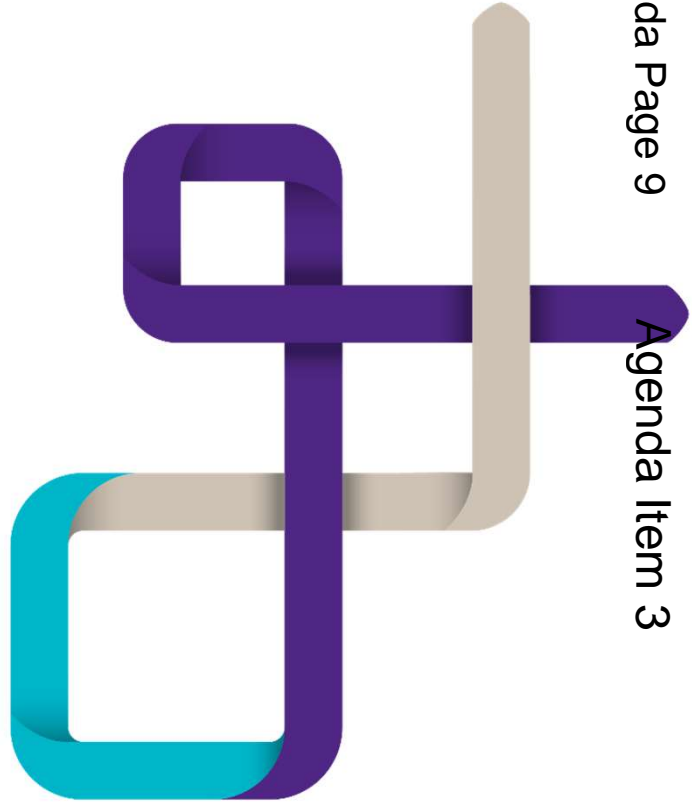


# External Audit Plan

*Year ending 31 March 2019*

---

Chorley Borough Council  
February 2019



# Contents



Your key Grant Thornton team members are:

**Mark Heap**  
Director

T: 0161 234 6375  
E: mark.r.heap@uk.gt.com

**Simon Hardman**  
Manager

T: 0161 234 6379  
E: Simon.Hardman@uk.gt.com

**Richard Watkinson**  
Executive

T: 0161 234 6345  
E: Richard.Watkinson@uk.gt.com

## Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Significant risks identified
4. Other matters
5. Materiality
6. Value for Money arrangements
9. Audit logistics, team & fees
10. Early Close
11. Independence & non-audit services

## Appendices

- A. Audit Approach

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Council. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Page

3

4

5

8

9

10

11

12

13

15

Agenda Page 10

Agenda Item 3

# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Chorley Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Chorley Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of the pension fund net liability
- Valuation of land and buildings

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.104m (PY £1.077m) for the Council, which equates to 2% of your gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.055m (PY £0.054m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial sustainability, including your medium term financial planning and delivering your capital programme
- Establishment of the housing company

## Audit logistics

Our interim visit will take place in February and March 2019 and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £34,846 (PY: £45,255) for the Council, subject to the Council meeting our requirements set out on page [13].

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Key matters impacting our audit

## Factors

### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Chorley Council the gross cumulative deficit is estimated as reaching £3.9m by 2021/22. The deficit will be met by a mix of income generation and cost savings.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

### Local issues

The Council's capital programme of over £30m in 2018/19 is an ambitious one for a district council and the delivery of the various schemes is important from both a service delivery viewpoint and also in terms of generating income to help meet the forecast deficit.

The Council's housing strategy highlights the plan to develop a wholly owned housing company. Whilst the number of houses to be developed, as mentioned in the strategy, is relatively modest it is important that the Council ensures that governance safeguards are appropriate allowing both appropriate levels of scrutiny and sufficient autonomy to make commercial decisions.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money (VfM) conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

As part of our review of your financial sustainability for the VfM Conclusion we will consider:

- the arrangements in place to ensure the capital programme is being managed appropriately to ensure the benefits are maximised
- how the Chorley housing company is being developed, including reviewing the business plan and reports to Members

# Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Management over-ride of controls</b></p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. For example, the Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
<p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Chorley Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Chorley Council.</p>	

# Significant risks

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of the pension fund net liability</b></p>	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£45 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of land and buildings</b></p>	<p>The Council revalues much of its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement [and any other information published alongside your financial statements] to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Council's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.



# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

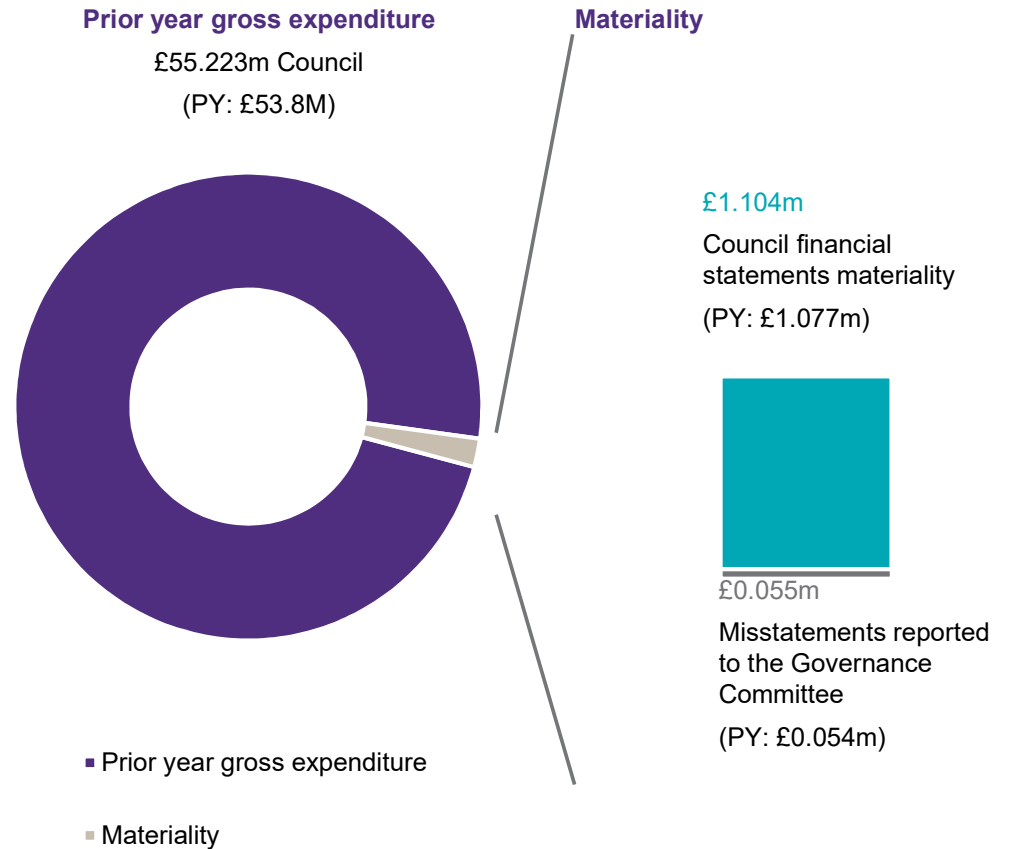
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.104m (PY £1.077m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision for senior officer remuneration and related parties. We will finalise the level after the receipt of your 2018/19 financial statements.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.055m (PY £0.054m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

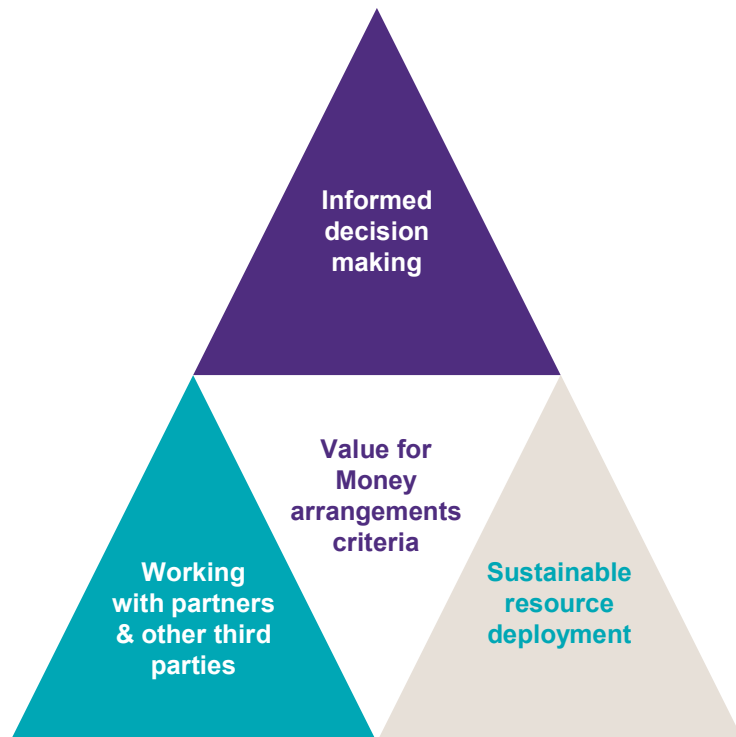
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



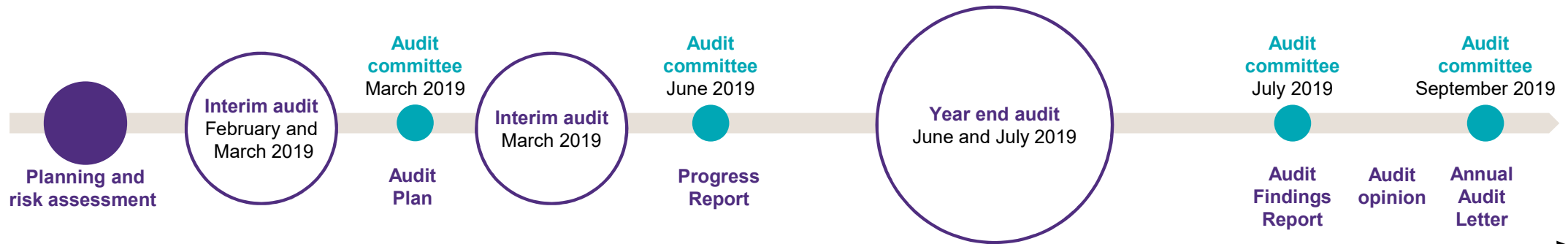
### Financial Sustainability

There remain financial challenges over the next few years which the Council needs to meet. There is a risk that revenue budget and capital programme delivery will not sufficiently meet those challenges.

We will review the arrangements the Council has in place to plan, manage and deliver its finances over the medium term by:

- considering the Council's overall arrangements in place to develop its medium term financial plans
- reviewing how the capital programme is planned and delivered, including the links to the medium term financial strategy (MTFS)
- considering the development of the housing company, including how the potential financial risks and rewards are being reflected in the Council's MTFS.

# Audit logistics, team & fees



## Mark Heap, Engagement Lead

Provides oversight of the delivery of the audit including regular engagement with Audit Committees and senior officers.



## Simon Hardman, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.



## Richard Watkinson, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.

## Audit fees

The planned audit fees are £34,846 (PY: £45,255) for the financial statements audit completed under the Code, which agree to the scale fees published by PSAA. £9,750 of fees are planned for our work on your Housing Benefits Subsidy Grant Claim and a further £5,000 for our work on your Homes England scheme. Both of these constitute non-Code work by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Where additional audit work is required, for example to address risks or quality issues relating to the financial statement and supporting working papers, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously. We achieved the deadline, with our opinion being issued on 31 July 2018.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible
- seeking further efficiencies in the way we carry out our audits
- working with you to agree plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing Benefits Subsidy Grant	9,750	Self-Interest (because this is potentially a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,750 in comparison to the total fee for the audit of £34,846 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Homes England	5,000	Self-Interest (because this is potentially a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £34,846 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved appropriately under your scheme of delegation. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

---

# Appendices

**A. Audit Approach**

# Audit approach

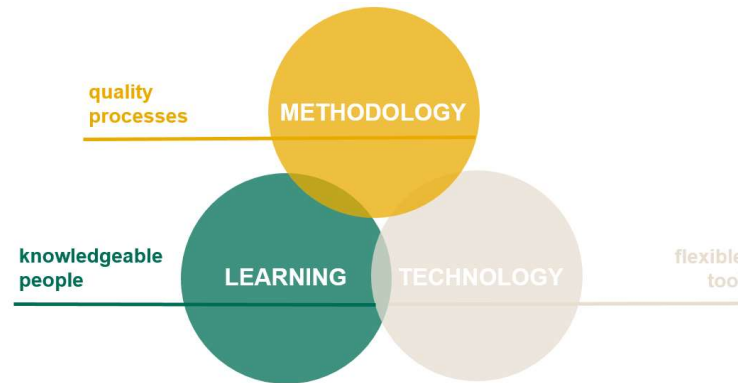
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian



#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

### Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

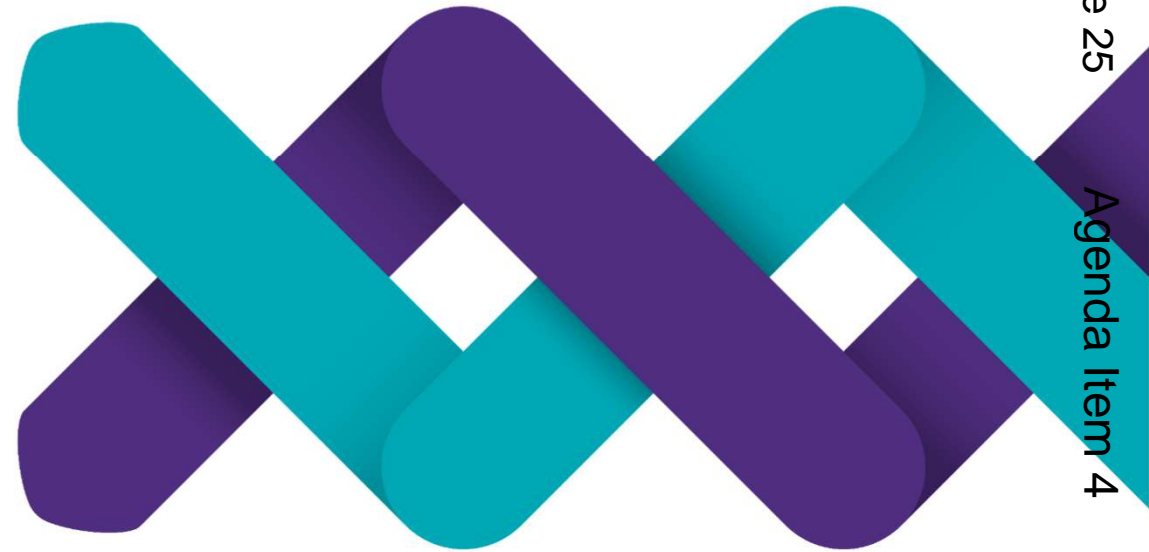
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



# Audit Progress Report and Sector Update

Chorley Borough Council

11 March 2019



# Contents

Section	Page
Introduction	03
Progress at January 2019	04
Audit Deliverables	05
Sector Update	06
Links	17

# Introduction

## Mark Heap

### Engagement Lead

T 0161 234 6375  
M 07880 456 204  
E [mark.r.heap@uk.gt.com](mailto:mark.r.heap@uk.gt.com)



## Simon Hardman

### Engagement Manager

T 0161 234 6379  
M 07880 456 202  
E [simon.hardman@uk.gt.com](mailto:simon.hardman@uk.gt.com)

This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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

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

# Progress at 4 March 2019

## Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We commenced our interim audit in February 2019. Our interim fieldwork includes:

- Updating our review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at a future Governance Committee.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We will discuss our plan and timetable with officers.

The final accounts audit is due to begin in June with findings reported to you in the Audit Findings Report by the deadline of July 2019.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan. This is included as a separate agenda item.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

## Other areas

### Certification of claims and returns

We expect to complete the certification of the housing benefits subsidy claim by 30 November 2019.

### Meetings

We have recently met with the Council's Chief Executive and management team to discuss your strategic issues, as well as progress with our audit.

We are also having regular meetings with the shared service finance team where we are discussing accounting issues to help ensure the audit is delivered to the appropriate deadlines.

To help with this delivery we have set up the Inflo system at the Council. Inflo is a cloud based system which allows working papers to be shared easily and provides both the Council and the audit team the ability to monitor the progress in both the audit and query response.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Complete
<b>2018/19 Deliverables</b>	<b>Planned Date</b>	<b>Status</b>
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2018	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	February 2019	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2019	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Governance Committee.	July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Not yet due

# Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Governance Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

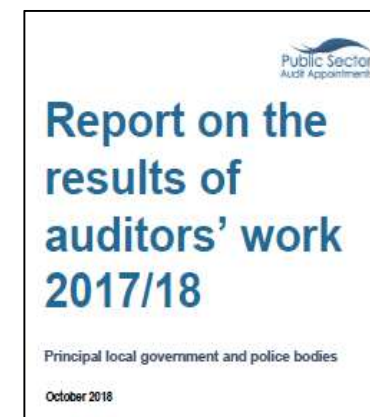

The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

**PSAA Report**

**Challenge question:**

Has your Authority started to plan for the 2018/19 financial statements audit and Value for Money Conclusion?



# National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

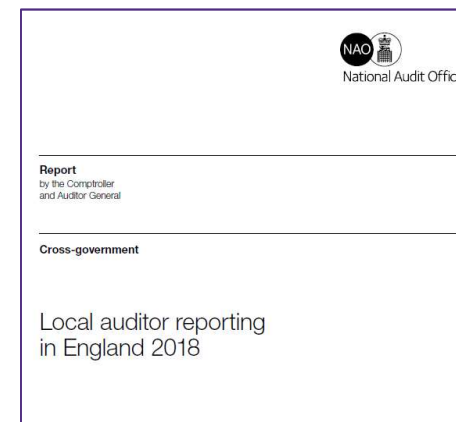
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



## NAO Report

### Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?





# National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

## NAO Report

### Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



# CIPFA – Financial Resilience Index plans revised

## The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

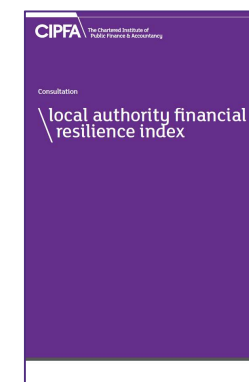
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

### CIPFA Consultation

#### Challenge question:

Has your s151 Officer briefed members on the Council’s response to the Financial Resilience Index consultation?



# ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

## Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

## What's the problem?

- **Short-term solvency vs. Longer-term value:**
  - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Governance Committees not consistently effective:** Local government struggles to recruit external members for their Governance Committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

## Future financial viability of local public bodies

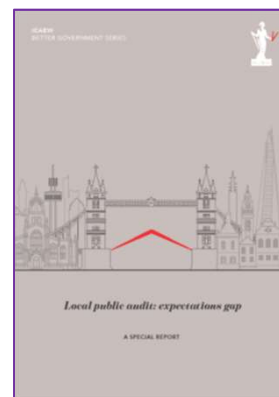
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

## The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



## The expectations gap

### Challenge question:

Have you considered the key messages from the paper?



# Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

## What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

## How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies. Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

## Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

## Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

## Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

## Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

**Your organisation** – including considerations on workforce, funding, and changes to legislation

**Your services and suppliers** – ensuring that critical services are protected and building resilience within supply chains

**Your place** – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

## Brexit

### Challenge question:

How well advanced are your authority's plans for Brexit?



# MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:  
<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>

## Social Housing Green Paper Consultation



### Challenge question:

What does the Social Housing Green Paper mean for your local authority?





# Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

## Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

## Accounting for councils’ revenues

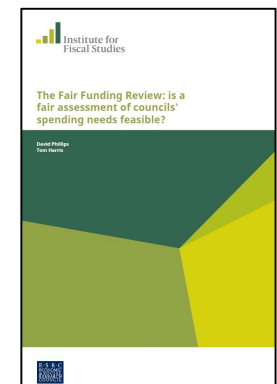
The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

## The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



# In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

## Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

## Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

## Choosing the right company model

The most common company models adopted by councils are:

Wholly  
owned

Joint  
Ventures

Social  
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

## Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

## LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
  - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)



---

# Links

---

## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

## National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

## Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/728722/BRR\\_Pilots\\_19-20\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf)

## Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

## Public Sector Audit Appointments

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

© 2019 Grant Thornton UK LLP. Confidential and information only.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement. The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.



Report of	Meeting	Date
Monitoring Officer	Governance Committee	20 March 2019

## **LOCAL GOVERNMENT ETHICAL STANDARDS: A REVIEW BY THE COMMITTEE ON STANDARDS IN PUBLIC LIFE**

### **PURPOSE OF REPORT**

1. To update members on the report Local Government Ethical Standards prepared by the Committee on Standards in Public Life.

### **RECOMMENDATION(S)**

2. That the formal recommendations are noted.
3. A working group formed from Governance Committee be established to consider the Best Practice recommendations and make recommendations on the adoption and incorporation of them into the Code of Conduct or council procedures as necessary.

### **EXECUTIVE SUMMARY OF REPORT**

4. Since the introduction of the local code of conduct through the Localism Act 2011 there has been no formal review of the operation of local codes or investigatory processes. The Committee for Standards in Public Life (the Committee) were commissioned to undertake a review on the effectiveness of the current arrangements. Terms of Reference for the review are detailed at paragraph 12.
5. As a result of the review the Committee were tasked with making recommendations for improvements both to the form of the codes themselves but also in relation to their operation and investigation into complaints. The Committee were specifically tasked with identifying evidence where Councillors were being intimidated and measures which could prevent this.
6. The Committee have broken up their report into defined areas of consideration
  - a. Codes of Conduct and Declaring and Managing Interests
  - b. Investigations and Safeguards
  - c. Sanctions
  - d. Town and Parish Councils
  - e. Supporting Officers
  - f. Council's Corporate Arrangements
  - g. Leadership and Culture.
7. Within these categories the Committee made a list of 26 formal recommendations which would require actioning by the Local Government Association, Central Government, Local and Parish Council's and Political Groups. As a result, these are not easily implemented directly by the Council and some will require changes to legislation.
8. The Committee also made a series of 15 Best Practice recommendations. These are capable of being adopted by the Council without any further intervention from third parties. Members should be aware that the intention is to assess authorities against the implementation of these Best Practice Recommendations.

<b>Confidential report</b> Please bold as appropriate	Yes	No
--	-----	----

**CORPORATE PRIORITIES**

9. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	X

**BACKGROUND**

10. Following the introduction of the Localism Act in 2011, Chorley Council with all other local authorities in the country adopted a Local Code of Conduct for members and local arrangements for the investigation and consideration of complaints. Whilst this has worked well locally, the changes have posed challenges for some authorities which have included:-
- a. Limited availability of sanctions;
  - b. The criminalisation of certain behaviours;
  - c. Conflicting local codes covering the same area (Parish, District and County);
  - d. Inconsistent approaches nationally.
11. Due in part to the passage of time since implementation the Committee for Standards in Public Life were commissioned to undertake a review of the effectiveness of current arrangements for standards. The Review is clear that this was not driven by any specific allegations of misconduct or council failure. The report can be accessed using the following link  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/777315/6.4896\\_CO\\_CSPL\\_Command\\_Paper\\_on\\_Local\\_Government\\_Standards\\_v4\\_WEB.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/777315/6.4896_CO_CSPL_Command_Paper_on_Local_Government_Standards_v4_WEB.PDF) .

**Terms of Reference**

12. The terms of reference for the review were limited to
- Examine the structures, processes and practices in local government in England for:
    - a. Maintaining codes of conduct for local councillors;
    - b. Investigating alleged breaches fairly and with due process;
    - c. Enforcing codes and imposing sanctions for misconduct;
    - d. Declaring interests and managing conflicts of interest; and
    - e. Whistleblowing.
  - Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government.
  - Make any recommendations for how they can be improved.
  - Note any evidence of intimidation of councillors and make recommendations for any measures that could be put in place to prevent and address such intimidation.

**STRUCTURE OF THE REPORT**

13. The report addresses each theme in a chapter. Within the chapter it references the evidence it has considered and makes as appropriate a Formal Recommendation or Best Practice Recommendation. Members are asked to note that the evidence base for the findings of the review has been drawn not just from Local Government but partner third sector organisations, the private sector and professional bodies. This is a comprehensive assessment on how the approach to the code of conduct and standards set out by the Localism Act 2011 works in practice.
14. This report is set out in a similar format. Each chapter is referenced with the recommendations or best practice proposals drawn out with a brief explanation as to why

they are made. Members are encouraged to read the full Report to best understand the reasons for the proposals.

## CHAPTER 2: CODES OF CONDUCT AND INTERESTS

### 15. Variation, Consistency and Clarity

A consequence of local codes of conduct was of course a variation between codes within different organisations not just in quality but also in length. Even codes that were substantially the same can lead to difficulties both for Members who may be dual or even triple hatted and for the public who are seeking to make a complaint.

The review recognises that there was a move away from a single national code of conduct but proposes the re-introduction of a non-mandatory model code which is capable of being modified locally. Members may recall the council decided to adopt the proposed LGA code of conduct in 2011.

#### **Recommendation 1**

**The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.**

### 16. Bullying and Harassment

Evidence provided to the Committee suggested that most complaints related to bullying and harassing behaviours. Whilst this conduct is prohibited by most codes only 2 specifically identified what behaviours would constitute bullying and harassment.

#### **Best Practice 1**

**Local Authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.**

### 17. Intimidation of Councillors

There are in the report several examples of situations where Councillors have been confronted by members of the public. This reflects the position that Councillors are at present required to publish their home address, leaving them and their families vulnerable to this type of intimidatory behaviour. The Committee have previously recommended that this legal obligation to disclose their home address be removed.

#### **Recommendation 2**

**The government should ensure that candidates standing for or accepting public offices are not required to publicly disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.**

### 18. Scope of the Code of Conduct

The application of the code of conduct, the split between acting as a councillor and not, has been debated on several occasions by this committee. This is an issue which is recognised within the report particularly in relation to the use of social media. The conclusion of the Committee is that there should be a rebuttable presumption that a councillor's behaviour in public is in an official capacity.

#### **Recommendation 3**

**Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of**

**the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.**

19. Purporting to act as a member or a representative

This issue was raised due to a court decision which stated that purporting to act as a member is not the same as purporting to act as a representative of the authority. It is proposed therefore to remove this distinction.

**Recommendation 4**

**Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.**

20. Compliance with standards processes

There is no formal requirement either in the legislation nor codes of conduct requiring members to co-operate with standards processes. This could of course be a breach of the code but this would be under an associated obligation rather than a specific breach. Also, it is suggested that there be an obligation on members not to misuse the code of conduct for the purposes of political gain.

**Best Practice 2**

**Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.**

21. Writing codes of conduct

The report recognises concerns raised by investigators that some codes are not prescriptive enough with insufficient detail on consequences of breach or what constitutes a breach. Further, some authorities are not reviewing their codes considering issues highlighted during investigations. However, it also recognises that codes should be written in plain English, recognising the users of the codes will be councillors and members of the public.

This council has revised our procedures in accordance with learning and experience gained through the consideration of complaints. It should also be noted that the code of conduct and associated procedures are available on the council website.

**Best Practice 3**

**Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.**

**Best Practice 4**

**An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.**

22. Councillors interests

The report properly sets out the reasons for maintaining a register of interests, that this will ensure transparency and integrity in decision making. It also distinguishes between the disclosure and management of the interest, recognising that the existence of an interest does not in itself preclude participation in the decision making process (although this a decision based on 'fact and degree')

The report goes on to consider the different interests to be disclosed and the categories of interest. It concludes that the definition of disclosable pecuniary interest and the registration requirements are drawn too narrowly to be fully effective.

**Recommendation 5**

**The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.**

## 23. Gifts and hospitality

The report recognises that there is no legal requirement to maintain and publish a register of gifts and hospitality received by members. However, this authority do.

**Recommendation 6**

**Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling over £100 over a year from a single source. This requirement should be included in an updated model code of conduct.**

**Best Practice 5**

**Local Authorities should update their gifts and hospitality register at least once per quarter and publish it in an accessible format such as CSV.**

## 24. Partner and family interests

The report concludes that the current declarations required for members and spouses/partners are suitable.

## 25. Declaring and managing interests

The report concludes that a lack of clarity in the Localism Act has led to some uncertainty on the part of councillors as to what obligations they have in relation to the declaration and managing of interests. Currently there is no requirement for the DPI to be affected by the matter being discussed only that it exists. Again, this is felt to be too narrowly drafted. It suggests including an objective test to be applied in considering whether members can participate in the item where an interest exists.

**Recommendation 7**

**Section 31 of the Localism Act 2011 should be repealed and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not “if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision-making in relation to that matter”.**

**CHAPTER 3: INVESTIGATIONS AND SAFEGUARDS**

## 26. Filtering complaints

It is recognised that the filtering of complaints involves an element of judgement by the Monitoring Officer (and Independent Person). It is recommended that for transparency in decision making the council adopts and publishes a public interest test to be applied at this stage.

**Best Practice 6**

**Council’s should publish a clear and straightforward public interest test against which allegations are filtered.**

## 27. Safeguards and Independent Persons

The report recognises the role of the independent person as a safeguard for the standards process. The investigation highlights that the role of the independent person needs to be strengthened both in relation to its function and term of office. This is to provide certainty for the role and for the councillors. The report makes several recommendations in relation to this role.

**Best Practice 7**

**Local authorities should have access to at least two Independent Persons.**

**Best Practice 8**

**An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious or trivial.**

**Recommendation 8**

**The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years renewable once.**

**Recommendation 9**

**The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recoded in any decision notice or minutes.**

**Recommendation 10**

**A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.**

**Recommendation 11**

**Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.**

## 28. Standards Committees

As it currently stands, the legislation prohibits non-councillors sitting as voting members of a decision-making committee. This means that neither Parish Councillors (in that capacity) nor independent persons can fulfil anything other than an advisory role. The report recommends that Councils should be given the discretion to establish a decision-making standards committee which has voting independent members. This makes best use of local knowledge and skills. It is also suggested that the powers to levy a sanction be with the standards committee rather than a decision of council.

**Recommendation 12**

**Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from the dependent parishes, to decide on allegations and impose sanctions.**

## 29. Appeals and escalation

This is tied to the recommendation to increase the scope of sanctions which can be applied. It is recognised that where a potential sanction is a 6 months suspension there needs to be a process to challenge this decision.



**Recommendation 13**

**Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.**

**Recommendation 14**

**The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.**

## 30. Promoting openness and transparency

There is no direction within the legislation on publication of standards complaint information therefore there is no consistency across the country. The report recommends that this be amended. It is believed that this will promote greater openness and transparency and therefore confidence in the regime.

It is acknowledged that at present this authority do not publish any details about individual complaints unless it progresses to a hearing by the Standards Sub-Committee.

**Recommendation 15**

**The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (eg bullying, conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious and any sanctions applied.**

**Best Practice 9**

**Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.**

**Best Practice 10**

**A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.**

**CHAPTER 4: SANCTIONS**

31. There is a lengthy consideration of sanctions within the report and members are encouraged to read this chapter due to the significant implications of the proposed changes to the standards regime. The report recognises the importance of getting the balance right in relation to sanctions providing an adequate deterrent for more serious poor behaviour but not overly punishing minor offences. This balance is necessary to ensure both public and councillor confidence in the process.
32. The report also acknowledges the reliance placed on party discipline in the current system due to the absence of adequate sanctions. Good councillor behaviour can certainly be encouraged and embedded by political group discipline but should not replace the role of the standards regime although it may compliment it. Neither does the report feel that the sanction of the 'ballot box' is an adequate deterrent with there being some evidence that the public do not elect the individual but a wider political party candidate, with conduct not being a consideration.
33. The report concludes that stronger sanctions are required in order to provide an adequate deterrent.

**Recommendation 16**

**Local authorities should be given the power to suspend councillors, without allowances, for up to six months.**

## 34. Legal certainty on sanctions

In the absence of detailed sanctions local authorities have been fixing their own local ones which have included the exclusion of councillors from council premises. The legal basis for this is unclear although it is acknowledged to be a reasonable sanction to impose. The report recommends that the position be clarified, with council's being specifically granted the power to levy this sanction.

**Recommendation 17**

**The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.**

## 35. Criminal offences in the Localism Act 2011

The current regime criminalises the failure to properly complete a register of interests, failure to declare a DPI and then participate in a meeting. Putting aside the issue of police interest in these matters, the report finds that the criminalisation of a standards matter is inappropriate and sets too high a burden in relation to the standard of proof.

**Recommendation 18**

**The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.**

**CHAPTER 5: TOWN AND PARISH COUNCILS**

36. It is recognised that Parish and Town Council's occupy a particular position in relation to standards, with the principal council being responsible for investigations under the local code adopted by the parish or town. The report also recognises the significant role of the Parish Clerk and the importance of maintaining strong relationships between parish councillors and clerks and the challenges this creates. Clerks it is acknowledged are often sole employees with minimal professional support being available to them. The report states the view that it is advisable that Clerks are properly trained and obliged to keep up to date with their responsibilities and duties.

**Recommendation 19**

**Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.**

## 37. Misconduct in parish councils

The report states that the proposed extension of sanctions to include suspension would serve as a deterrent for parish councils as well as principal councils. It also recognises the difficulties that can be caused by a Clerk who, as an employee, wishes to make a standards complaint against one of their own parish councillors.

Concerns have also been raised that some principal councils have been declining to accept complaints from parish councils citing insufficient resources. The report finds that this is not acceptable.

**Best Practice 11**

Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

#### **Best Practice 12**

**Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.**

#### 38. Investigations and sanctions in town and parish councils

The report highlights the difficulties faced by Monitoring Officers where parishes within their principal area have adopted different codes of conduct. The report makes a recommendation to address this.

It was also recognised that whilst principal authorities may recommend sanctions based on findings of a breach of the code of conduct, the imposition sits with the parish council. There is therefore a risk that the proposed sanctions may be disregarded and not applied.

#### **Recommendation 20**

**Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.**

#### **Recommendation 21**

**Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.**

### **CHAPTER 6: SUPPORTING OFFICERS**

#### 39. The role of the Monitoring Officer

The Committee recognises the complexities and potential conflicts of interest that can arise for the Monitoring Officer when investigating standards complaints. This is particularly the case where the complaint relates to the conduct of a cabinet member. Whilst such conflicts are unlikely to arise frequently the report suggests that they should be planned for.

#### **Best Practice 13**

**A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.**

#### 40. Standing of statutory officers

The report recommends that the current protections given to statutory officers in relation to a decision to dismiss from their role should be extended to cover all disciplinary action. This is to ensure protection is given to senior officers who are required to cooperate with standards investigations and may suffer adverse consequences as a result.

#### **Recommendation 22**

**Local Authorities (Standing Orders)(England)(Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.**

#### 41. Whistleblowing

Two recommendations are made to improve whistleblowing arrangements in councils. Firstly, to enable whistle-blowers to bring concerns are brought to the attention of the

external auditor and secondly, to protect staff who make whistleblowing disclosures to councillors.

**Recommendation 23**

The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.

**Recommendation 24**

Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.

**CHAPTER 7: COUNCIL'S CORPORATE ARRANGEMENTS**

42. Members are encouraged to read this chapter considering the corporate project to establish an arm's-length external organisation (housing company). It references issues which have been identified with the governance arrangements for external bodies and recommends maximising transparency in relation to the exercise of the business of the external organisation.
43. There is also an extended section, with supporting examples, of ethical standards and corporate failure. Whilst no recommendations come out of this part, it provides salutary lessons where governance failings have arisen from poor ethical standards.

**Best Practice 14**

Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

**CHAPTER 8: LEADERSHIP AND CULTURE**

44. It is recognised that to embed in an organisation and behaviour Leadership is essential. This is particularly so in relation to ethical behaviour. The standards committee and regime can play a key leadership role in this regard. The role of senior officers is also important as is the role of the political groups themselves. Whilst the provisions on 'turning a culture around' and 'building an ethical culture' may not be completely relevant to this authority they again contain learning points that can be used to maintain a positive ethical culture.
45. What the report recognises however is that good communication and the provision of training and information at an early stage can address these issues. It also stresses the need for the professional distance to be maintained, particularly with the Monitoring Officer, in order to preserve their impartiality. Finally, the importance of openness particularly in decision making is also considered.

**Best Practice 15**

Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

**Recommendation 25**

Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.

**Recommendation 26**

Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.

**NEXT STEPS**

- 46. Members will recognise that this council are delivering many of the best practice suggestions in some form already. As it is suggested that the best practice proposals will form part of future assessments of ethical governance the council should consider very carefully how to implement them. Members are likely to accept these are sensible suggestions.
- 47. The recommendations are more problematical and will largely require actions by central government or third parties to be implemented. It should be noted that recommendation 2 concerning the disclosure of a candidate’s address has already been implemented but the remainder are still outstanding.
- 48. It is proposed that a working group is formed from Governance to consider the implementation of the best practice recommendations and make recommendations back to Governance Committee and Full Council. It should also be noted that as part of the recent audit of ethical governance there is a management action to undertake a full review of the constitution. This work on ethical standards feeds nicely into the wider constitutional review.
- 49. It is proposed that the membership of the working group be 3 members, the independent person and it will be supported by the Monitoring Officer and other officers as required.

**IMPLICATIONS OF REPORT**

- 50. This report has implications in the following areas and the relevant Directors’ comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

- 51. The risks identified within the report are wider governance and standards issues that have been assessed within the ethical governance review undertaken by Internal Audit.

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

- 52. No comments.

**COMMENTS OF THE MONITORING OFFICER**

- 53. Contained in the body of the report.

**COMMENTS OF THE INDEPENDENT PERSON**

- 54. It is interesting that the Committee say that "The evidence we have received does not reveal a widespread standards problem within local government. Our evidence supports the view that the vast majority of councillors and officers maintain high standards of conduct." Certainly that has been my experience with Chorley since I was appointed (under the new standards regime) in July 2012.

Despite the lack of a widespread problem, the Committee make no less than 26 recommendations and give 15 best practice recommendations detailed in this report. They

make no attempt to justify the potential costs of some of their recommendations in a time of restricted local authority resources.

The report does, however, make many sensible recommendations, the outcome of which will be determined nationally. The next steps recommended by the Monitoring Officer seem an appropriate way to respond locally to the Committee's report.

CHRIS MOISTER  
MONITORING OFFICER

<b>Background Papers</b>		
<b>Document</b>	<b>Date</b>	<b>File</b>
Local Government Ethical Standards: A Review by the Committee on Standards in Public Life	January 2019	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/777315/6.4896_CO_CSPL_Command_Paper_on_Local_Government_Standards_v4_WEB.PDF">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/777315/6.4896_CO_CSPL_Command_Paper_on_Local_Government_Standards_v4_WEB.PDF</a>
<b>Report Author</b>	<b>Ext</b>	<b>Date</b>
Chris Moister	5160	11 March 2019



## Governance Committee work programme 2019/20

### 5 June 2019

Report	Officer
Draft Statement of Accounts 2018/19	Michael Jackson
Charity and Trust Accounts 2018/19	Martin Fisher
Outcome of the Primrose Gardens Homes England Audit	James Thomson
External Audit Progress Update	Grant Thornton
Internal Audit Annual Report 2018/19	Janice Bamber
Annual Governance Statement	Chris Moister
Strategic Risk Update Report	Rebecca Huddleston
RIPA Application Update	Chris Moister

### 24 July 2019

Treasury Management Annual Report 2018/19 and Monitoring 2019/20	Michael Jackson
Statement of Accounts 2018/19	James Thomson
RIPA Application Update	Chris Moister
Internal Audit Annual Plan 2019/20 Progress Report Q1	Janice Bamber

### 20 November 2019

Chorley Borough Council Annual Audit Letter 2019	Michael Jackson
Treasury Management Activity Mid-Year review 2019/20	Michael Jackson
RIPA Application Update	Chris Moister
Internal Audit Annual Plan 2019/20 Progress Report April to October 2019	Janice Bamber

### 22 January 2020

Chorley Certification Letter 2018/19	James Thomson
Annual Standards Report	Chris Moister
Annual GDPR Report	Chris Moister
RIPA Application Update	Chris Moister
Internal Audit Annual Plan 2019/20 Progress Report April –December 2019	Janice Bamber

### 18 March 2020

External Audit Plan 2019/20	James Thomson
-----------------------------	---------------



Audit Progress and Sector Update Report	James Thomson
RIPA Application Update	Chris Moister
Internal Audit Plan 2020/21	Janice Bamber
Internal Audit Plan 2019/20 Progress Report April 2019 – February 2020	Janice Bamber