



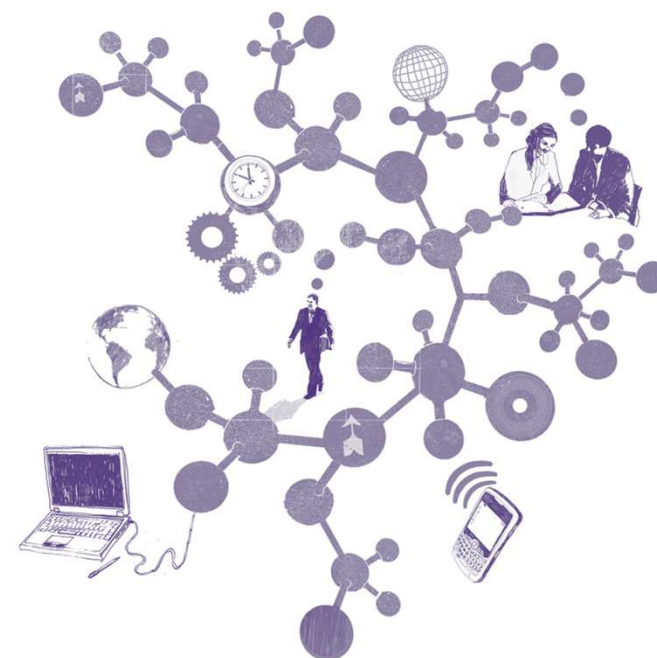
The Annual Audit Letter for Redditch Borough Council

Year ended 31 March 2013

October 2013

Phil Jones
Engagement Lead
T 0121 232 5232
E phil.w.jones@uk.gt.com

Zoe Thomas
Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com



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Section 1: Executive summary

01. Executive summary

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This report summarises the findings from our audit work covering the financial year 2012/13. The work undertaken is in line with the plan issued to members in March 2013. Fees charged are consistent with those set out in the fee letter issued in April 2013. We will confirm in the certification report the fees for that work when completed.

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Redditch Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 26 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- An audit review of the Council's Whole of Government Accounts submission was not required, instead we provided a short form assurance statement to the National Audit Office.
- we have certified 2 grant claims and returns, which were certified without amendment and we are in the process of auditing the Housing Benefits grant claim, which will be completed by the national deadline of 30 November.

Executive summary(cont)

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future. In the audit plan we highlighted the following national issues being faced by the Council:

Financial pressures

In common with other councils, Redditch is facing significant reductions in central government grants. Recent government announcements have made clear that the current financial pressures on funding will remain for the near future. The budget for 2012-13 required considerable savings to be delivered. The Council managed the outturn position with a relatively small overspend. Future budgets will also require large savings. The level of general fund balances will not be sufficient if savings are not made.

Business rate pooling

The Localising of Business Rates, increases the risk and creates more unpredictability in this stream of income. Pooling seeks to minimise this risk and this year the Council has decided to work with the Greater Birmingham and Solihull cluster as this was judged to offer the greater financial benefit to the Borough.

Transformation

The term 'Transformation' is a relatively common term used in the public sector to describe an approach to service reviews. The Council has been using this approach to review most of its services. This programme is continuing and it is expected that Transformation will both refocus and improve services but also contribute significantly to the savings needed by the Council. The Council's shared services agenda may not now yield much in the way of further savings going forward. Transformation is therefore the key driver of cost savings but it is important that other avenues for delivering savings are actively pursued as well.

Welfare reform

Welfare reform is being rolled out over the next few years, although the timetable and the full impact on local authorities is not yet clear. The changes could impact on a Council such as Redditch.

The 'bedroom tax' introduced in 2013 has received considerable press coverage due to the difficulties faced by some people who are facing cuts in benefit. There may be an insufficient supply of properties with fewer rooms to meet demand. Some Councils are already reporting increases in rent arrears as a result of the changes, although this has not yet had a large impact in Redditch. This also places increased pressure on front line staff who have to deal with people in need who are often frustrated. . Additional security has been required at some Councils to protect their staff. Some Councils are starting to think differently about the housing stock needs in their local areas, with a move from ensuring a supply of aspirational 3 bed properties to smaller properties.

Acknowledgements

This Letter has been agreed with the Director of Finance and Corporate Resources and will be presented to the next meeting of the Audit Committee.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

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The accounts were certified by the Director of Finance and Corporate Resources and provided for audit on 28 June 2013. An unqualified opinion on the accounts was issued on 30 September 2013, in line with the statutory timetable.

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 28 June 2013 in accordance with the [national deadline](#). Working papers were made available on request from the start of the audit fieldwork, which commenced on 5 August 2013.

Some amendments were made to the accounts to improve the disclosure, however no significant matters, adjustments or concerns were highlighted in the course of the audit.

Issues arising from the audit of the accounts

There was only one significant amendment made to the accounts and this arose from the consolidation of the housing revenue account income and expenditure into the main Consolidated Income and Expenditure Statement. There was no impact on the net income and expenditure as a result of this change.

Annual governance statement

We considered the Annual Governance Statement (AGS), both in terms of consistency with our knowledge of the Council but also against good practise indicators. The AGS complied in all significant aspects with the models provided by CIPFA and SOLACE. Whilst the document clearly lays out the council framework and processes, it could be better at outlining how arrangements have actually been assessed

The statement refers to further development of a risk management framework within the Council during 2013/14. As part of next year's audit we will look to see that arrangements become embedded in the culture of the Council.

We also look forward to seeing the development to the performance management framework, with the introduction of measures that relate to the new corporate priorities. Both of these developments will improve corporate governance arrangements at the council.

Whole of government accounts (WGA)

The council's WGA return was below the £300 million threshold and so an audit review was not required. Instead we confirmed that balances relating to property, plant and equipment and pensions items were correctly mapped from the audited accounts to the WGA data return. We submitted a short form assurance statement to the National Audit Office.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 26 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

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We issued an unqualified opinion on the Council's arrangements for securing value for money on 30th September. Arrangements are assessed against the criteria set out annually by the Audit Commission.

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted that the Council is financially resilient in the short term, but faces considerable challenges in the medium term. Reductions in government funding and other economic factors mean that over £1.4m savings will need to be made in 2014/15. The Council's general fund balances are relatively low and so there is little scope for slippage in this target.

There are not yet robust plans in place to identify how these savings are to be made and this work needs to commence as a matter of priority. It is vital that when the budget is approved there is clarity around schemes and measures in place to make the savings. Effective in year monitoring and understanding by members will be key to ensuring that the council is on track.

Further details are provided in our Financial Resilience report

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that the Council has taken significant steps to reduce underlying costs, but also to improve focus on customer needs. In partnership primarily with Bromsgrove DC, but also with other Worcestershire districts, a programme of shared services has been rolled out over the last 3 years. This has resulted in a reduction in headcount at the Council, particularly at management levels. In addition the Council is continuing its programme of Transformation, which seeks to focus on customer priorities and remove waste in processes. Clearly the Council has been proactive in seeking to remove costs but at the same time improve key services.

Whilst the approaches adopted will undoubtedly have removed underlying costs, the Council is not able to be precise about actual savings achieved in year from shared services and Transformation. Year-end reporting does not include a review of achievement of overall planned savings, despite original budget setting reports highlighting large savings some of which had yet to be identified. Savings are embedded in budgets as they are identified and in year reports focus on variances from budget.

Due to the development of new corporate priorities, performance reporting has not been consistent this year. The Council does not prepare an annual report. Some of the reporting around efficiencies and service improvement is anecdotal and thus it is difficult to have an overview of current performance and improvements in efficiency and effectiveness.

Clearly the Council is challenging itself to improve the economy efficiency and effectiveness of its services. The Council does not currently have robust and transparent processes to be able to demonstrate the effectiveness of the measures it is taking.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

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We have certified two claims, and the largest claim, housing benefits will be certified by the 30 November deadline.

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2012/13. The work on the most significant claim relating to housing benefits is currently on-going.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

A certification report will be issued in December 2013 on completion of all our certification work.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit

Fees

	Per Audit plan £	Actual fees £
76,380	76,380	76,380
17,250	17,250	tbc
Total fees	93,630	tbc

The audit fee for grant claims will be confirmed when we have completed the certification work

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
Certification report	To be issued December 2013
VfM – Financial Resilience Report	October 2013
Annual Audit Letter	October 2013



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