

MEETING:	Audit Committee
DATE:	Friday, 18 September 2015
TIME:	2.00 pm
VENUE:	Reception Room, Barnsley Town Hall

AGENDA

Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest

2. Minutes (*Pages 5 - 14*)

To receive the minutes of the meeting held on 22nd July, 2015

3. Actions Arising From the Previous Meetings (*Pages 15 - 16*)

The Committee will receive a report detailing action taken and arising from previous meetings of the Committee.

Items for Discussion/Decision

4. Report to those charged with Governance (ISA 260) 2014/15 (*Pages 17 - 34*)

The Council's External Auditor will submit a report summarising the key issues identified during the audit of the Financial Statements for the year ended 31st March, 2015 for the Authority and on the assessment of the Authority's arrangements to secure Value for Money.

5. Annual Governance Statement 2014/15 (*Pages 35 - 48*)

The Director of Legal and Governance and Director of Finance, Assets and Information services will submit a joint report on the final Annual Governance Statement for 2014/15 and seeking approval to refer it to Council for consideration and adoption.

6. Corporate Anti-Fraud Team Progress Report (*Pages 49 - 52*)

The Head of Internal Audit will submit a report providing details of the work of the Corporate Anti-Fraud Team for the period 1st April to 1st September, 2015.

Items for Information

7. Corporate Financial Performance - Quarter ended 30th June, 2015 (*Pages 53 - 80*)

The Director of Finance, Assets and Information Services will submit, for information and comment, a report which was submitted to Cabinet on the 9th September, 2015 on the financial performance of the Authority during the quarter ended 30th June 2015 (including progress made against agreed savings targets) and assessing the implications against the Council's Medium Term financial

Strategy (MTFS) and Reserves Strategy.

Note: due to their size, the appendices to this report are available for download from the Council's website and have been emailed to all Members of the Committee.

8. Capital Programme Performance - Quarter ended 30th June, 2015 (*Pages 81 - 106*)

The Director of Finance, Assets and Information Services will submit, for information and comment, a report which was submitted to Cabinet on the 9th September, 2015 on the financial performance of the Council's Capital Programme during the quarter ended 30th June, 2015 and assessing the implications against the Council's Medium Term Financial Strategy (MTFS) and reserves strategy.

Note: due to their size, the appendices to this report are available for download from the Council's website and have been emailed to all Members of the Committee.

9. Treasury Management Activities and Investment Performance - Quarter Ended 30th June, 2015 (*Pages 107 - 120*)

The Director of Finance, Assets and Information Services will submit, for information and comment, a report which was submitted to Cabinet on the 9th September, 2015 updating the Committee on the Treasury Management Activities and Investment Performance as at 30th June, 2015.

10. External Audit Progress Report and Technical Update (*Pages 121 - 140*)

The Committee will receive the External Audit Progress Report and Technical Update.

11. Audit Committee Work Plan 2015/16 (*Pages 141 - 144*)

The Committee will receive the indicative Audit Committee Work Plan for 2015/16.

To: Chair and Members of Audit Committee:-

Councillors Richardson (Chair), Barnard, Clements, Griffin, Ms K Armitage, Ms D Brown, Mr M Marks, Mr P Johnson and Mr S Gill

Diana Terris, Chief Executive

Andrew Frosdick, Director Legal and Governance

Frances Foster, Director Finance, Assets and Information Services

Rob Winter, Head of Internal Audit and Risk Management

Neil Copley, Service Director Finance

Ian Rooth, Head of Technical Services

Adrian Hunt, Risk Management Manager

Michael Potter, Service Director Organisation and Workforce Improvement

Julie Winham, Senior Audit Manager

Linda Wild, KPMG

John Cornett, KPMG

Please contact William Ward on 01226 773451 or email governance@barnsley.gov.uk

Thursday, 10 September 2015

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BARNSELEY METROPOLITAN BOROUGH COUNCIL

Audit Committee

22nd July, 2015

13. **Present:** Councillors Richardson (Chairman), Barnard and Griffin together with Co-opted Members – Ms Armitage and Ms Brown and Mr Johnson and Mr Marks.

14. **Declarations of Pecuniary and Non-Pecuniary Interest**

There were no declarations of interest from Members in respect of items on the agenda.

15. **Appointment of Vice Chairperson**

RESOLVED that Mr S Gill be appointed Vice Chairman of the Committee until the next Annual Council meeting.

16. **Minutes**

The minutes of the meeting held on the 10th June, 2015 were taken as read and signed by the Chairman as a correct record.

17. **Actions Arising from Previous Meetings**

The Committee received a report detailing actions taken and arising from previous meetings of the Committee.

It was noted that not all items yet included the timescale for submission to future reports or the progress of actions. These would be included within future reports.

RESOLVED that the report be noted.

18. **Draft 2014/15 Statement of Accounts**

The Director of Finance, Assets and Information Services submitted a report on the 2014/15 Statement of Accounts, the Council's fifth set of accounts prepared in accordance with International Financial Reporting Standards (IFRS).

The report indicated that the accounts had been submitted to the External Auditor (KPMG) on the afternoon of 29th June, 2015 in advance of the statutory deadline, of 30th June and in addition, there was no longer a requirement to submit them for approval to the Council prior to that deadline. This was primarily to enable additional time to prepare the accounts under the more complex and time consuming IFRS and to place public bodies on a similar reporting footing with the private sector.

The Council would receive the External Auditor's report on the accounts prior to the statutory deadline of 30th September 2014.

The Summary of Accounts together with the Draft Statement of Accounts 2014/15 were appended to the Director's report. The report also outlined the main elements of the Accounts, gave details of the consultation that had taken place together with the main elements of the requirements of the International Financial Reporting Standards.

The Committee noted the significant work undertaken by the Service Director Finance's Team in relation to the preparation of the Statement of Accounts which was commendable bearing in mind the staffing reductions that had taken place within the section.

Reference was then made to the following matters:

- It was noted that the format of the information provided was prescribed and based on the International Financial Reporting Standards as interpreted by the Code of Practice on Local Authority Accounting and this allowed comparisons to be made between differing local authorities and other bodies. The Authority, however, also prepared separate revenue and capital final accounts reports (management accounts) and the rationale for this was explained. These could be made available to Members of the Committee if required. Mr Cornett, representing KPMG, the Council's External Auditor commented on the consultations that were currently ongoing in relation to possible changes to accounting arrangements
- There was a discussion of the factors affecting the liabilities of the South Yorkshire Pensions Scheme and to the potential effects on those liabilities of changes in the various assumptions used in their calculation.
 - Arising out of the above, the Director of Finance, Assets and Information Services reminded Members that she was the Section 151 Officer for the South Yorkshire Pensions Authority and she briefly commented on the liabilities of the Scheme. She also stated that the issues identified were common throughout all four districts. She also outlined how she 'separated' her role and responsibilities to both the Pensions Authority and to the Local Authority
 - The Director of Legal and Governance briefly commented upon the differences between the South Yorkshire Pensions Authority and arrangements in County Council areas
- There was a discussion of the ways in which Debt was handled and in with context particular reference was made to Short Term Debtors. The Director of Finance, Assets and Information Services and the Service Director Finance both commented that in relation to Council Tax, Barnsley had a high payment rate. There was probably a need to address the way in which outstanding debts from years ago were recorded particularly when there was very little prospect of such debts

being recovered. An assurance was given, however, that all necessary steps were taken to ensure that where possible debts were recovered and in this context reference was made to the development of Business Units under the Future Council initiative. There was, of course, always room for improvement and discussions would take place, when necessary, within the Senior Management Team in this respect

- A breakdown of the percentage of debt on a year by year basis could be provided for a future meeting
- An explanation was provided of the operational overspend within Children, Young People and Families and of the ways in which this was being addressed
- It was noted that the Accounts and Audit Regulations 2011 had significantly reduced the timeframe allowed for the accounts closure process. Workload issues were also exacerbated by recent staffing reductions and the increasing complexity of the IFRS requirements. It was noted, however, that all necessary requirements had been met and, in addition, the quality of working papers and files submitted for audit had improved. This was a testament to the hard work and dedication of all staff involved. Arising out of this, brief reference was made to succession management arrangements and to the ways in which staffing issues would be addressed in future years
- Reference was made to the arrangements in place to deal with Trust Funds and other Third Party Funds
- An assurance was given that there was no inappropriate expenditure in relation to 'Impairments – Non-Value Adding Expenditure'. An explanation was given as to the various elements contained within this 'heading' and to 'timing issues' which might appear to exacerbate expenditure
- There was a discussion of the increased Housing Revenue Account Balances and to the strategy being developed to address this issue

RESOLVED:-

- (i) that the Director Finance, Assets and Information Services and Service Director Finance and their respective Teams be thanked for their hard work and dedication in producing the accounts on time and with reduced resources in a reducing time frame; and;
- (ii) that the work that has taken place to prepare the Authority's Draft 2014/15 Statement of Accounts on an International Financial Reporting Standards basis be noted.

19. Draft Annual Governance Statement 2014/15

The Chief Executive, Director of Legal and Governance and Director of Finance, Assets and Information Services submitted a joint report on the Draft Annual Governance Statement for 2014/15.

The Statement gave details of:

- The purpose of the Governance Framework
- The Governance and Internal Control Framework
- The process of annually reviewing the effectiveness of the Governance and Internal Control Framework
- The development and improvement issues arising from the Annual Evaluation which would have to be addressed during 2015/16

The Draft Governance Statement was appended at Appendix 1 and the 2015/16 Action Plan was attached as Appendix 2.

The Committee was given a brief resume of the key issues highlighted. The review of the Authority's Governance, Risk and Control Arrangements in 2014/15 had not identified any fundamental issues and had confirmed the general level of compliance with the Council's Governance and internal Control Framework remained good. The review process had taken into account the action taken against the control issues raised in 2013/14. As the nature of some of the issues were of a longer-term nature these remained in progress and had been carried forward into the 2015/16 list of issues. These issues related to:

- (a) The continued development and embedding of a practical framework to assist in the effective governance and control of the Council's partnerships, contracts and general relationships with external organisations. This was considered of increasing importance in the light of the Future Council transition
- (b) The continued development of a corporate Information Governance Strategy and associated policies/procedures and guidance for implementation across the Council

The whole process was underpinned by the context within which the Council was currently working, the financial and operational environment which would have a significant impact in 2015/16 and beyond. The Council had moved to its new Future Council operating model in April 2015 and this had significantly affected the way services were provided and how business was transacted in the future. It was also acknowledged that without careful management, the inevitable reductions in staff and the reduced capacity to deliver outcomes to the public could have significant implications on the ability of the Council to maintain high levels of compliance across various aspects of the governance, risk and control framework.

It was noted that the Annual Governance Statement was one of the ways in which assurance was provided to residents and other stakeholders (including Partners) that the decision making processes of the Council had integrity. The processes was supported by the provision of assurance information to all Service Directors details of which were outlined. Those Service Directors would then be asked to confirm receipt of this information, confirm the assurance information and agree to implement any identified recommendations with the published timescales. The Action Plan captured all the issues raised through

the review process and formed the basis for the Audit Committee Monitoring throughout the remainder of the year.

The final Statement would be prepared for consideration by this Committee in September prior to submission to Council on the 24th September, 2015.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted:

- The work of Mr A Hunt (Risk and Governance Manager) and his team was acknowledged
- There were no significant issues of concern to highlight, however, arising out of the discussion, reference was made to the merger of the former Children, Young People and Families and Adult Services Directorates and to the arrangements in place to ensure that statutory roles and responsibilities were appropriately discharged
- The arrangements in place for the training of newly Elected Members and Officers was noted and arising out of this, reference was made to the need to provide appropriate training to Independent Members on this Committee. The Director of Legal and Governance commented that whilst further development work was required, this matter was, nevertheless, in hand
- The lessons learned from the Casey report were being adopted in the preparation of documentation to ensure that roles and responsibilities of all involved in the provision of services were addressed and particularly as this related to safeguarding. Arising out of this discussion, reference was made to the multi agency approach to safeguarding and within this context reference was also made to the creation by the Police to multi agency safety hubs within each district. It was noted that the Barnsley hub was due to 'go live' in September. An update of these arrangements could be provided for a future meeting.

RESOLVED that the Draft Annual Governance Statement 2015/16 be noted.

20. Internal Audit Quarterly Report 2015/16 – Quarter Ended 30th June, 2015

The Head of Internal Audit submitted a report presenting a comprehensive overview of the key activities and findings of Internal Audit based upon the Division's work to the end of June 2015 being the first quarter of the 2015/16 audit year.

The report covered:

- The issues arising from the completed Internal Audit work in the quarter incorporating, where appropriate, management's response to the recommendations made
- Matters that had required investigation

- An opinion on the ongoing overall assurance Internal Audit were able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment.
- Progress on the delivery of the Internal Audit Plan for the period to the end of the first quarter of 2015/16
- Details of Internal Audit's performance for the quarter utilising performance indicators

Reports issued and internal audit work completed during the quarter had raised two fundamental recommendations both of which were in relation to the absence of up to date business continuity plans following the restructure of the Council and specifically within the IT Service.

Internal control assurance opinion overall remained adequate based upon the results of the work undertaken, however, three reviews had produced limited assurance opinions in relation to Corporate Business Continuity Planning, IT Security Controls and the Accounts Receivable systems.

Of the 14 recommendations followed up 50% had been implemented by the target date and 36% by the revised target date. Two recommendations remained not implemented and had been given a revised implementation date.

A number of matters requiring investigation were still in progress and any control issues identified by Internal Audit had been highlighted for management attention.

In relation to the Audit Plan, more days than the profile had been delivered within the first quarter and more days had been allocated to the Council than to external clients. It was anticipated, however, that this would balance out during the year.

Overall, Divisional performance remained satisfactory with only the chargeable time performance indicator being slightly less than target. This was due to annual, statutory and special leave and training days and time necessary to populate the audit management system as part of the annual planning process.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted:

- Action in relation to three issues within Finance, Assets and Information Services had been taken
- An explanation was provided of the 'other work' undertaken by Internal Audit as detailed within Appendix 1 to the report. This gave a flavour of the breadth of the type of work with which the service was involved
- There was a discussion of the investigation and fraud prevention work undertaken and particularly in relation to Council Tax. Within this context reference was made to the changing areas of responsibility and the transfer of fraud investigation for housing benefit to the Department of Work and Pension and their Single Fraud Investigation Service

- Arising out of the above, reference was made to the changes in staffing and to the ways in which this was being addressed. In response to questioning, the Head of Internal Audit commented that he was, nevertheless, confident that the work plan would be delivered
- Reference was made to the appointment of agency workers across the Authority and that there was not always compliance with the Council's guidance regarding the employment of such workers. This matter was being addressed but was not thought to be a major issue. The Head of Internal Audit stated that all agency workers were put through the necessary recruitment processes

RESOLVED

- (i) that the issues arising from the completed Internal audit work for the first quarter along with the responses received from management be noted;
- (ii) that the assurance opinion on the adequacy and effectiveness of the Authority's Internal Control Framework based on the work of Internal Audit in the period to the end of June, 2015 of the 2015/16 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2015/16 for the period to the end of June 2015 be noted;
- (iv) that the performance of the Internal Audit Division for the first quarter be noted.

21. Terms of Reference and future arrangements for the Audit Committee

Further to Minute 8 of the previous meeting held on the 10th June, 2015, the Director of Finance, Assets and Information Services submitted a report seeking agreement to a framework for the review of the Terms of Reference and existing governance arrangements for the Committee in the light of Future Council.

A copy of the existing Terms of Reference was appended to the report.

In order to achieve what the Committee required in the future, consideration would have to be given to

- the number and length of formal meetings required to deal with the core business
- the development of a potential workshop/task and finish approach to consider key governance aspects in more detail
- potential options for co-opting further members on specific topics as required
- greater involvement of officers outside the regular support

A suggested draft agenda for the workshop meeting, which it was proposed be held instead of the scheduled November meeting, was attached.

Arising out of the discussion the Chair referred to the new arrangements for the despatch of Committee agenda which would be introduced from the next meeting.

RESOLVED

- (i) that the scheduled meeting on the 4th November, 2015 be used as a workshop to consider the range of issues outlined in the report and that this meeting commence at 2.00 pm
- (ii) that the draft agenda be approved and circulated in advance of the workshop; and
- (iii) that the Director of Finance, Assets and Information Services give further consideration to how Independent Members may gain access to papers for meetings via electronic means.

22. External Audit Reports

(a) Progress Report and Technical Update

Mr Cornett, representing the Council's External Auditor (KMPG) submitted the Progress report and Technical update.

The report:

- Provided an overview of the progress made by the External Auditor in delivering their responsibilities to the Council. At each stage of the audit the Auditor issued certain deliverables including reports and opinions and a summary of progress made against these deliverables was appended to the report
- Gave details of the KPMG resources in relation to
 - The Governance Arrangements work over the Better Care Fund
 - The Better Care Fund Support Programme
 - The Audit Committee Institute – Local Government Seminar Services for Winter 2015
- Highlighted the main technical issues which were currently having an impact on local government and which were being addressed
- An Appendix to the report provided details of the Audit deliverables for 2014/15

The progress report indicated that risk based audit planning for the 2014/15 audit of the financial statements and Value for Money conclusion had been completed. In addition the Audit Plan had been agreed with management.

In relation to the Financial Statements, the interim audit on site had taken place in February 2014 and an Interim Report issued which was to be discussed as the next agenda item. The audit of the draft financial statements had started and would continue throughout July and August and the opinion on the financial statements would be issued by 30th September, 2015.

Work on the Value for Money conclusion had commenced as part of the interim audit and would conclude during the final accounts visit in July/August. The VFM Conclusion would also be issued by 30th September, 2015

The Housing Benefit and Council Tax Benefit Claim was the only grant remaining under the Audit Commission regime. Work on this had started in June and a report would be submitted before the deadline of 30th November, 2015

In relation to other work, work was being undertaken on restructuring of subsidiary groups and the Bull TCL contract termination which would require an additional fee of £16,250.

The Technical Update outlined various issues that were currently having an impact on Local Government and these were 'colour coded' to indicate their potential impact. Particular reference was made to Local Authority Accounting Panel Bulletin 101 in relation to accounting for non-current assets used by the local authority maintained schools. Mr Cornett commented that any issues identified would be picked up through the normal audit process and a further report provided if required.

RESOLVED that the External Audit Progress Statement, Resources Report and Technical Update be received and noted.

(b) Interim Audit Report 2014/15

Mr J Cornett, representing the Council's External Auditor (KPMG) submitted a report summarising the key findings in relation to the 2014/15 financial statements and the work to support the 2014/15 Value for Money Conclusion up to April 2015. He commented that there were no specific issues to highlight and no concerns to raise.

RESOLVED that the Interim Audit Report 2014/15 be noted.

23. Audit Committee Work Plan 2015/16

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2015/16 Municipal Year.

The Chair reminded Members that the next meeting was to be held on Friday, 18th September, 2015 at 2.00 pm.

RESOLVED that the core work plan for 2015/16 meetings of the Audit Committee be approved and reviewed on a regular basis.

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Chairman

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AUDIT COMMITTEE – 18th September 2015

ACTIONS ARISING FROM MEETINGS OF THE AUDIT COMMITTEE

Date of Meeting	Agenda Ref	Subject	Details of Actions Arising	Person Responsible	Status / Response
25 th March, 2015	4	Internal Audit Charter and Strategy 2015/16	Members requested to be provided with additional information on business units/trading bodies	Service Director Finance	Information Briefing to be given but aligned to the role of the new Audit Committee – 9 th December, 2015
25 th March, 2015	7	Treasury Policy and Strategy Statements 2014/15	To receive a report on the rationale behind the MRP options contained within Appendix E within the context of the current financial climate	Service Director Finance	To be considered at a meeting following a review and determination of a way forward – 23 rd March 2016
22 nd April, 2015	4	Internal Audit Quarterly Report – quarter ended 31 st March, 2015	To receive a report on benchmarking the performance of the Service with neighbouring authorities	Head of Internal Audit	Report to be submitted 9 th December, 2015
22 nd April, 2015	6	Strategic Risk Register – Full Review	To receive an update report on risk 3030 (Failure to be prepared for an emergency response or business continuity threat) and on the decision to being the IT Service back ‘in house’ particularly in relation to business continuity	Director of Finance, Assets and Information Services	Report to be submitted – 9 th December, 2015
22 nd July, 2015	5	Draft 2014/15 Statement of Accounts	To receive a breakdown of the percentage of debt on a year by year basis	Director of Finance, Assets and Information Services	Report to be submitted 9 th December, 2015

AUDIT COMMITTEE – 18th September 2015

ACTIONS ARISING FROM MEETINGS OF THE AUDIT COMMITTEE

Date of Meeting	Agenda Ref	Subject	Details of Actions Arising	Person Responsible	Status / Response
22 nd July, 2015	6	Draft Annual Governance Statement 2014/15	To receive a report on the multi agency approach to safeguarding and the creation by the Police of multi-agency hubs	Chief Executive, Director of Legal and Governance, Director of Finance, Assets and Information Services	Report to be submitted 20 th January, 2016



cutting through complexity

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Report to those charged with governance (ISA 260) 2014/15

Item 4

Barnsley Metropolitan Borough Council

18 September 2015

The contacts at KPMG in connection with this report are:

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Report sections

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Appendices

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments' website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Barnsley Metropolitan Borough Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in February 2015, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our *Interim Audit Report 2014/15* issued in July 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work and we included early findings in our *Interim Audit Report 2014/15*. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	<p>Our audit has identified one audit adjustment with a total value of £787,000. This relates to the reclassification of a grant between creditors and grants received in advance therefore the net impact of the adjustment is nil. Full details of this adjustment can be seen at Appendix 1. Officers have made appropriate adjustments to the financial statements.</p> <p>We also identified one presentational adjustment in relation to a prior year restatement of the related parties note which was required to bring the note in line with <i>IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p> <p>We have not raised any recommendations as a result of our audit work.</p>
Key financial statements audit risks	<p>We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the Authority during 2014/15 with respect to the financial statements.</p> <p>We identified Local Authority Maintained Schools as an area of audit focus in our 2014/15 external audit plan issued in February 2015. We have worked with officers throughout the year to discuss this area of audit focus and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this area.</p>
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	<p>At the date of this report our audit of the financial statements is substantially complete, subject to:</p> <ul style="list-style-type: none"> ■ <i>Receipt of approved financial statements; and</i> ■ <i>Receipt of signed management representation letter.</i> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
VFM conclusion and risk areas	<p>We identified financial resilience as a VFM risk in our external audit plan 2014/15 which was issued in February 2015.</p> <p>We have worked with officers throughout the year to discuss this risk and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in this VFM risk area.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.</p>

Our audit has identified one audit adjustment.

The net impact of this adjustment is nil as it involves a reclassification between creditors and grants received in advance.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The forwarding of your Annual Governance Statement comes with guidance issued by CIPFA/SOLACE in June 2007.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Council on 24 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level (see Appendix 3 for more information on materiality) for this year's audit was set at £13.5 million. Audit differences below £675,000 are not considered significant.

Our audit identified one audit difference, which we set out in Appendix 1. It is our understanding that this will be adjusted in the final version of the financial statements. The total value of the adjustment is £787,000. However, the net impact on the General Fund and Balance Sheet as at 31 March 2015 as a result of the audit adjustment is nil as it relates to a reclassification of a grant received in advance from creditors, to grants received in advance.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* ('the Code'). We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

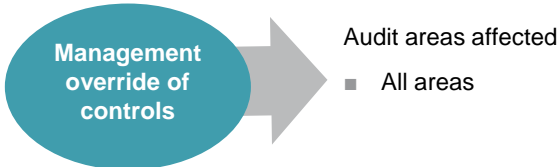
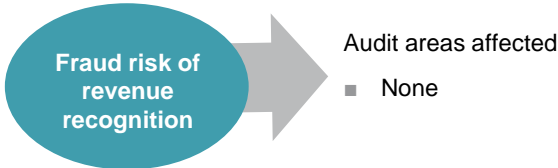
This section sets out our detailed findings on those risk

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In our External Audit Plan 2014/15, presented to you in February 2015, we identified no significant risks specific to the Authority which would affect the 2014/15 financial statements. However, we did identify one area of audit focus; this is covered in more detail on the next page.


In our External Audit Plan 2014/15 we also reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were management override of controls and the fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

In our *External Audit Plan 2014/15*, we identified one area of audit focus. This is not considered a significant risk but an area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our failed findings for the area of audit focus.

Area of audit focus	Issue	Findings
	<p>LAAP Bulletin 101 <i>Accounting for School Assets used by Local Authority Maintained Schools</i> issued in December 2014 required authorities to review the accounting arrangements for Voluntary-Aided (VA), Voluntary Controlled (VC) and Foundation Schools. They were required to apply tests of control to assets owned by third parties such as church bodies which are made available to school governing bodies under a variety of arrangements. This is a key area of judgement and there is a risk that Authorities could omit school assets from, or include school assets in, their balance sheet.</p>	<p>We have reviewed the Authority's approach to identifying relevant maintained schools and the assessment of the use of school assets by VA, VC and Foundation Schools.</p> <p>The Authority identified 13 schools which were either VA or VC schools. All of these were already being accounted for in line with LAAP Bulletin 101. No additional schools were identified which should have been on balance sheet.</p> <p>We are happy that the approach taken is in line with LAAP Bulletin 101.</p>

Financial Statements (continued)

Accounts production and audit process

The Authority has a well established and strong accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officer Page 24: dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 29 June 2015.</p> <p>The Authority has made a small number of presentational changes to the accounts presented for audit. These have been discussed with us and none of the changes are considered to be fundamental.</p>
Quality of supporting working papers	<p>We issued our <i>Accounts Audit Protocol</i> including our required working papers for the audit in January 2015.</p> <p>The quality of working papers provided was high and fully met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
Response to audit queries	<p>Officers resolved all audit queries in a timely manner.</p>

Financial Statements (continued)

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinion and conclusions we will prepare our Annual Audit Report and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Barnsley Metropolitan Borough Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Barnsley Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the officers for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following page includes further details of our VFM risk assessment.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Work completed


In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Authority currently estimates that by 2017 it will need to save a further £28 million, on top of the £59 million it has saved over the past four years. The Authority has already identified a number of areas where savings can be made, such as reducing printing, and making it easier for members of the public to complete things online. However, it is likely further savings are likely to have to be made in future years.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>We have assessed the controls the Authority has in place to ensure sound financial standing. The Medium Term Financial Plan has taken into consideration the potential funding reductions and is sufficiently robust to ensure that the Authority can continue to provide services effectively. The introduction of Future Council shows the Authority is looking at innovative ways of securing VFM.</p>

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

There is no net impact on the General Fund and HRA as a result of the amendments.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

We identified one reportable audit difference which has been corrected by officers.

This was to correct an error identified in relation to the classification of a highway improvement grant. The grant had originally been classified as a creditor but, in keeping with prior year, this should be classified as a grant received in advance.

Account Caption	Debit	Credit
	£000	£000
Short Term Creditors	787	0
Grants Received in Advance	0	787

We identified one major presentation adjustment in relation to a prior year adjustment to the Related Parties note (note 18). In the 2013/14 accounts, the Related Parties note did not include the Building Schools for the Future related party (£37.7 million). This was identified when the Authority produced the 2014/15 accounts and so was amended. Additional wording was required in the note to comply with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors*. This has been amended appropriately in the financial statements for approval. There is no impact on the primary statements as this balance had been correctly accounted for in 2013/14, it had just been missed from the Related Parties note.

A number of other minor amendments, focused on presentational improvements, have also been made to the draft financial statements.

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Barnsley Metropolitan Borough Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Barnsley Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £13.5 million for the Authority's accounts.

We have reported all audit differences over £0.675 million for the Authority's accounts to the Audit Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in February 2015

Materiality for the Authority's accounts was set at £13.5 m which equates to around two percent of gross expenditure. However, we design our audit procedures to detect errors in specific accounts at a lower level of precision.

Reporting 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 misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.675m for the Authority.

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

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

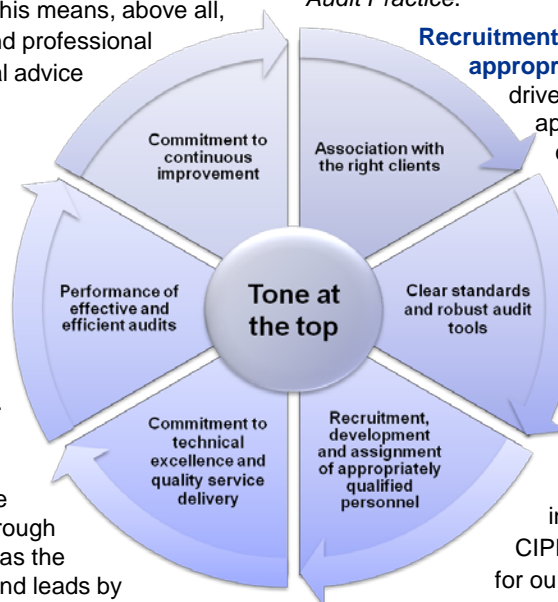
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. John Cornett as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel:

One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™

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AUDIT COMMITTEE – 18th SEPTEMBER 2015

ANNUAL GOVERNANCE STATEMENT 2014/15

1. Purpose of the Report

- 1.1 To consider the final Annual Governance Statement (AGS) for 2014/15.

2. Recommendations

- 2.1 **The Committee is asked to consider the final Annual Governance Statement for 2014/15 and refer it to Full Council for consideration and adoption.**

3. Background

- 3.1 The proposed process and guidance on developing the Annual Governance review (AGR) for 2014/15 was considered by the Committee on 25th March 2015 and members of the Committee were given the opportunity to comment prior to the AGR commencing with officers.
- 3.2 The Audit Committee considered the draft AGS at its meeting on 22nd July 2015, and requested a minor change to the AGS regarding the joint working with South Yorkshire Police and other agencies regarding the Casey Report into corporate governance at Rotherham Metropolitan Borough Council (see section 3.5 of the AGS).

4. The Final Annual Governance Statement

- 4.1 The final AGS is attached to this report as Appendix One. The statement outlines the following:
- i. The purpose of the Governance Framework;
 - ii. The Governance and Internal Control Framework;
 - iii. The process of annually reviewing the effectiveness of the Governance and Internal Control Framework; and,
 - iv. Identifying development and improvement issues arising from the annual evaluation to be addressed in 2015/16.
- 4.2 The control issues raised will be monitored as part of the overall action plan process.

5. Review Process

- 5.1 The AGS is an important document as it is one form of providing assurances to residents and other stakeholders, including the Council's partners, that its decision making processes and procedures have integrity.
- 5.2 An action plan has been prepared to capture the issues raised throughout the review process. This document will form the basis for Audit Committee monitoring throughout the year. The action plan is provided to the Audit Committee as Appendix Two to this report. An update of the Action Plan will be reported to the Audit Committee in December 2015.

6. Financial Implications

- 6.1 There are no direct financial implications arising through the preparation and publication of the Annual Governance Statement.
- 6.2 However, the AGS includes an assessment of the extent to which the Council's financial and other internal control related procedures are being complied with.

7. Risk Management Considerations

- 7.1 The Council's Risk Management Strategy forms one of the key elements of the Internal Control Framework.

8. Consultations

- 8.1 The Draft and Final AGS was developed through a comprehensive evaluation process which has included formal input for the Council's Senior Management Team, Services Directors and Internal Control Lead Officers across the Council.

9. Appendices

Appendix One – Final Annual Governance Statement 2014/15

Appendix Two – Final Annual Governance Statement Action Plan 2014/15

10. Background Papers

- 10.1 The draft AGS, the AGR framework and process documents previously considered by by the Audit Committee at its meetings on 25th March 2015 and 22nd July 2015.

Contact Officers: Risk and Governance Manager
Telephone: 01226 77 3119
Date: 3rd September 2015

BARNSELEY METROPOLITAN BOROUGH COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT 2014 / 2015**1. Scope of Responsibility**

- 1.1 Barnsley Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and all relevant standards, and that public money is safeguarded and properly accounted for.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, effectiveness and efficiency.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework detailed in their report 'Delivering Good Governance in Local Government', in so far as the Council will:
- Focus on the purpose of the Council and on outcomes for the community and create and implement a vision for the local area;
 - Ensure Elected Members and officers work together to achieve a common purpose with clearly defined functions and roles;
 - Promote values for the Council and demonstrate the values of good governance through upholding high standards of conduct and behaviour;
 - Take informed and transparent decisions which are subject to effective scrutiny and consideration of risk;
 - Develop the capacity and capability of Elected Members and officers to be effective; and,
 - Engage with local people and other stakeholders to ensure robust public accountability.
- 1.5 A copy of the Council's recently revised Local Code of Corporate Governance can be found on the Council's [Risk Management intranet site](#). This document was considered, and approved by the Council's Audit Committee on 25th March 2015.

2. Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled. It also includes the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of governance and internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurances regarding overall effectiveness. The system of governance and internal control is based on an ongoing process of risk review, de-

the Council's policies, aims and objectives and to evaluate the likelihood and potential impact of those risks being realised. It is then a case of managing and mitigating them to reasonable levels in an efficient, effective and economic manner.

3. The Governance Framework

3.1 The scope of the governance and internal control framework spans the whole range of the Council's activities. The following sections consider the various main components of the Council's governance framework and the activities within each of them.

3.2 Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.

The Council's vision is contained within the Future Council Change Programme which was approved by Cabinet in June 2014. This also includes the Council's three corporate Priorities, four Values, and a number of Future Council characteristics. The Council's Corporate Plan 2015 – 18 sets out these priorities, values and characteristics, which was approved by Cabinet in June 2015.

To deliver improved outcomes in terms of the overall quality of life and services that meet local needs, the Council works with a range of partners both within the Local Strategic Partnership (LSP) 'One Barnsley' as well as other organisations, including local businesses, South Yorkshire Police, voluntary and community groups and the National Health Service.

3.3 Arrangements for reviewing the Council's vision and its implications for the Council's governance arrangements and translating the vision into objectives for the Council and its partners.

The Council's Corporate Plan underpins the priorities and outcomes for 2015 to 2018, and makes clear links between the published outcomes and the Councils' own performance management arrangements.

3.4 Arrangements for measuring the quality of services for service users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money.

Key metrics, included in the One Council element of the Corporate Plan will tell us about our 'organisational health' covering both our financial resources and our workforce, our social responsibility such as local spend, volunteering and apprenticeships and our ongoing progress against the ten Future Council characteristics. The supporting performance management framework, included as part of the new Corporate Plan has been designed to ensure the effective management of these characteristics.

3.5 Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements.

The Council's Constitution sets out how the Council operates regarding how decisions are made and the procedures that are followed to ensure that these rules are efficient, transparent and accountable to local people. The constitution sets out rules governing the manner in which the Council conducts its business.

The Constitution includes the Scheme of Delegation whereby functions and decision making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards, committees and officers.

The Council's Officer Code of Conduct and Member Code of Conduct encourages the effective transaction of business by setting out the respective roles of Members and officers and provides guidelines for good working relationships between them.

In response to the Casey report into corporate governance at Rotherham, the Council's Senior Management Team are putting in place a programme of activity aimed at assuring all Council services, with a stake in protecting children from harm and exploitation, are compliant with this responsibility along with all statutory regulations and best practice. This is being undertaken in conjunction with South Yorkshire Police, and other agencies. In addition, the Authority has combined the Director roles for Children and Adults Services into a single Executive Director for People from 2015/16 and a level of assurance will be sought, via a review, to ensure that the merged roles are meeting all statutory requirements and best practice.

A limited number of items of business, such as approving the level of Council Tax must be considered by the full Council. For other decisions, the Leader and Cabinet Members hold decision making powers through the Cabinet – each member of the Cabinet holds a portfolio which supports the priorities and structures of the Future Council.

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not members of the Cabinet are appointed as members of regulatory committees or undertake scrutiny activities. Detailed terms of reference are in place for regulatory boards such as the Council's Audit Committee, as well as the Overview and Scrutiny Committee and Safeguarding Scrutiny Committee.

There is a clear distinction between the Executive and non-Executive functions within the Council and clearly defined roles for these functions exist, which are understood by both parties. The Council's Monitoring Officer is responsible for determining any issues of uncertainty as to whether a function is of an Executive or non-Executive nature.

Specific governance arrangements regarding the establishment and management of Area Councils (which have a formal status as Committees of the Executive, with delegated authority to incur expenditure within an allocated budget) have now have been in place for a number of years. These are also complemented by Ward Alliances which focus on direct community engagement.

Similarly, revised arrangements regarding the structure of the Council's Scrutiny function provide an emphasis on performance management and the delivery of outcomes. The rationalisation of Scrutiny Committees has resulted in the development of an overarching Overview and Scrutiny Committee, with three 'task and finish' groups designed to undertake deep-dives of specific Scrutiny areas.

Furthermore, the Council's LSP Board consists of senior partner representatives and agrees the overall strategic direction for the partnership. It considers performance against the Council's Jobs and Business Plan 2014-17 and Health and Wellbeing Strategy 2014-19. However, the primary responsibility for overseeing the delivery of these strategies rests with the Barnsley Economic Partnership and the Health and Wellbeing Board respectively. The LSP Board provides overall coherence and coordination across principal partnership arrangements to ensure that delivery is effective. The Board has three specific sub-groups each with a key focus including Communications, European Funding and Shared Assets.

3.6 Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and officers.

The Council has established a Member Panel to consider any allegations of misconduct, where the Monitoring Officer (MO) determines the need to undertake formal investigation. The MO exercises their judgement in consultation with three designated Independent Persons who have been appointed as a requirement of the Localism Act. This panel comprises three Elected Members chosen from those members comprising the Appeals Awards and Standards Panel by the Monitoring Officer in consultation with the Chairperson of the Panel. A majority of the members are selected from members of a political group different to that of the member who is the subject of the complaint.

The Council has developed and adopted formal Codes of Conduct which define standards for both personal and professional behaviour for Elected Members and officers. Formal induction training packages have been developed for Members and officers that include mandatory training regarding information governance, financial and procurement responsibilities and anti-fraud and corruption arrangements. Both Elected Members and officers are required to register relevant interests as required by law, and by the relevant Code of Conduct. The Council maintains a register of Councillors Interests, as Councillors are obliged by law to keep their registration up to date and inform the MO of any changes within 28 days of the relevant event. The need for disclosure of any conflicts of interest is a standard agenda item at all Council meetings. Standing Orders have been amended to require a member to withdraw where they have a Disclosable Pecuniary Interest, as defined by law.

3.7 Arrangements for the review of the effectiveness of the Council's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

The Council has in place a Constitution which is reviewed on a regular basis by the Constitution Review Group. This also ensures that the Cabinet Report Writing Guidelines are up to date and reflect current legislation and best practice. Within the Constitution review process delegations to members and officers are considered and refreshed as appropriate.

Cabinet decisions, including those relating to partnership activities are subject to oversight by the Overview and Scrutiny Committee. The robustness of data quality is challenged through the annual governance review process, and is also subject to periodic audit and review.

3.8 Arrangements for the review of the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.

The Council has in place a comprehensive Risk Management framework which is reviewed on an annual basis. Compliance with this framework is monitored, and specifically audited on an annual basis. The Risk Management framework is also benchmarked against other local authorities through the Association of Local Authority Risk Managers (ALARM) and Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Benchmarking Club, and improvement actions identified by this process are included in subsequent Risk Management Section workplans.

The Council's Audit Committee takes the lead in overseeing the Council's Risk Management framework arrangements and receives regular reports regarding compliance with the framework, across all Council services and functions. The Committee also receives reports regarding the Council's Strategic Risk Register (SRR), which is reviewed on a bi-annual basis.

The Council's decision making processes require the identification of risks and how they are being managed as a standard element of all decision making reports.

Training and awareness sessions are provided on a regular basis for Elected Members and officers. This is complemented by on-line training modules for Elected Members and officers.

3.9 Arrangements to ensure that effective counter-fraud, anti-corruption and whistleblowing controls and processes for receiving and investigating complaints from the public are developed and maintained.

The Council has in place a Corporate Anti-Fraud, Corruption and Bribery Policy and a suite of supporting policies and guidance, which are reviewed on an annual basis.

Training and awareness continues to be provided both specifically to groups of employees but also via on-line training modules for employees.

The Council has in place a Whistleblowing Policy, supported by two senior managers as designated contact officers. The Audit Committee oversees the effectiveness of the Whistleblowing arrangements on an annual basis. Internal Audit, as well as having a role in investigating matters brought to its attention, but it also takes the lead in promoting preventative measures. This is inherent in all audit work but also through specific fraud detection work to identify areas where fraud prevention controls can be improved.

As part of the Future Council arrangements, the Corporate Anti-Fraud Team (CAFT) has been formed within Internal Audit, and became fully effective from 1st April 2015.

3.10 Arrangements to ensure the effective management of change and transformation.

A robust approach has been taken regarding the management of change, with the project management computer system P2.net utilised to assist in the tracking and delivery of budget saving proposals. This process is complemented by the Programme Office approach detailed in the Council's Future Council Strategy 2014 – 2017.

3.11 Arrangements to ensure that the Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

The Council's Chief Financial Officer (CFO) is a key member of the Senior Management Team (SMT) for the Council, helping it to develop and implement strategy and resources to help deliver the Council's strategic objectives in a way that is sustainable and in the public interest. They are also actively involved in, and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risks are fully considered, and where appropriate, aligned to the Council's overall financial strategy (the Medium Term Financial Strategy (MTFS)). The CFO leads on the promotion and delivery by the entire Council on good financial management, which aims to ensure that public money is safeguarded at all times, and used in an appropriate, economic efficient and effective manner.

To deliver these responsibilities, the CFO leads and directs the Finance function within the Council to ensure it is resourced in such a way as to be fit for purpose, and they are also professionally qualified and suitably experienced.

An assessment has been undertaken as part of the Annual Governance Review process against the CIPFA Statement on the role of the Chief Financial Officer in Local Government. This assessment

has confirmed that in all respects the Council's arrangements comply with the five principles set out in the framework.

3.12 Arrangements to ensure that the Council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit*.

The Head of Internal Audit (HoIA) in a local authority plays a critical role in delivering the Council's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role, the HoIA is a senior officer with regular and open engagement across the Council, particularly with Executive Directors and Service Directors and the Audit Committee. They lead and direct an internal audit services that is resourced to be fit for purpose and is professionally qualified and suitably experienced.

An assessment has been undertaken as part of the Annual Governance Review process against the CIPFA Statement of the Role of the HoIA in Local Government. This assessment has confirmed that in all respects, the Council's arrangements comply with the five principles set out in the framework.

3.13 Arrangements to ensure that effective arrangements are in place for the discharge of the Monitoring Officer function and the Head of Paid Service function.

The broader context for the Council's governance and internal control environment is provided by the Council's Constitution which gives comprehensive information on how the Council is organised, its decision making processes and how probity and due process are promoted. This includes the work of the statutory officers, namely the Head of Paid Service (the Chief Executive), the MO (the Executive Director, Legal and Governance) and the Section 151 Officer (Executive Director, Finance, Assets and Information Services).

All three of the statutory officers are members of the Council's SMT. Statutory officer meetings are held periodically to focus on the specific statutory nature of their roles. The MO and the Section 151 Officer have direct access to the Chief Executive with reference to their core statutory and professional roles.

3.14 Arrangements to undertake the core functions of the Audit Committee, as defined by CIPFA's *Audit Committee Practical Guidance for Local Authorities*.

The Council's Audit Committee comprises of four senior Elected Members, and five co-opted members is responsible for providing independent assurance to the Council on the adequacy and effectiveness of the governance and internal control framework, which incorporates the arrangements relating to financial, risk and performance management. The Committee undertakes an annual review to ensure it remains compliant with the CIPFA 'Audit Committee Practical Guidance for Local Authorities' document.

The Committee receives regular reports relating to its remit, covering issues arising from the work of Internal Audit, updates on the risk management process, anti-fraud and corruption work and financial management reports, plus reports from the Council's external auditors which includes updates on the progress of implementing recommendations that have been made. The Committee itself produces an annual report highlighting their key areas of activity during the year.

As part of its governance remit, the Audit Committee will consider this Statement and, as necessary provide comments to full Council. In addition, the Committee will monitor the implementation of any emerging developments or improvements, recommended through the Annual Governance Review process.

3.15 Arrangements to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

The Council has designated the Executive Director, Legal and Governance as MO. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations and to oversee its arrangements in relation to ethical standards complaints.

The Executive Director, Legal and Governance attends, or is represented by a senior lawyer at all meetings of the Cabinet and Council. A senior lawyer is always in attendance at meetings of the Planning Regulatory Board and the Licensing Regulatory Board and as clerk to any Appeals panels.

All decision making reports take account of a range of control factors, including risks, legal and financial implications and policy or performance implications. The Council's SMT reviews all significant reports prior to them being included on the Cabinet agenda and discusses forthcoming Cabinet agendas a week prior to the meeting to address any particular issues arising or outstanding in respect of the specific report on the agenda. Any decisions taken by Cabinet members under their delegated powers are subject to prior scrutiny by SMT.

All Cabinet decisions are subject to oversight by the Overview and Scrutiny Committee.

All documents that require execution by the Executive Director, Legal and Governance require evidence of member or delegated officer approval prior to being executed.

Legal implications, especially with regard to consultation and statutory quality obligations are addressed specifically as part of the Council's budget setting process. The MO and Section 151 Officer are aware of their statutory duties to report in respect of concerns of unauthorised activity or expenditure and consult with each other periodically in relation to their ongoing and complementary statutory roles.

There is a periodic review of decision making and 'authority to act' through the role of Internal Audit and where appropriate by external regulators such as the Information Commissioner, the Surveillance Commissioner and the Local Government Ombudsman.

3.16 Arrangements for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Services are delivered by trained and experienced employees. All posts have a detailed job description and person specification. As part of the move towards the 'Future Council' a large proportion of jobs now benefit from a Job Profile, which includes elements of the job description and employee specification. Training needs are identified through the Performance and Development Review (PDR) process in which individuals' targets are derived from Service Delivery Plans or Business Unit Plans.

Induction courses are available for new Elected Members and officers. A comprehensive programme of development activities and training has been specifically designed to improve the knowledge, skills and abilities of Elected Members in their individual or collective roles in meeting the Council's corporate objectives. The programme is also designed to ensure that all Members are

fully supported to carry out their increasingly complex roles. Members individual development needs are identified in personal development plans.

3.17 Arrangements to establish clear channels of communication with all sectors of the community and other stakeholders, ensuring accountability and encouraging consultation.

All Councillors must account to their communities for the decisions that they have taken and the rationale behind them. Barnsley Council is subject to external review through external auditing of financial statements and performance managing outcomes against national standards and targets.

Councillors and officers are both subject to code of conduct. Additionally, where maladministration may have occurred, the aggrieved person may wish to appeal either through their local Councillor or directly to the Local Government Ombudsman.

The Council has numerous arrangements in place to communicate with its customers and wider stakeholders, including the use of social media such as 'Facebook' and 'Twitter'. The Area Council and Ward Alliance arrangements also encourage community involvement, engagement and participation.

3.18 Arrangements to enhance the accountability of service delivery and the effectiveness of other public service providers.

The Council has various arrangements in place to ensure it is accountable for its service delivery and performance. This includes the provision of quarterly performance reports that detail the Council's performance against specific Corporate Plan priorities and an annual Council Tax leaflet that is published on the Council's website which provides an insight into how resources are being used.

3.19 Arrangements to incorporate good governance in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Council's governance arrangements.

When working in partnership with others, the existence of sound governance arrangements helps to ensure that shared goals are achieved and resources are controlled in an effective manner.

The LSP is in place to ensure that a framework exists for the sound governance of its key partners including an overall One Barnsley Board that oversees the Health and Wellbeing Board (focusing on delivering health and wellbeing strategies) and the Barnsley Economic Partnership (which focuses on the delivery of economic strategies). The governance arrangements will be subject to review over the coming year to ensure that they are both robust and effective.

Council officers and Councillors are nominated as Council representatives within or when dealing with significant partnering organisations. Partners are required where appropriate to align their objectives with the Council's policies and deliver high quality, efficient and effective services which are in accordance with their agreements with the Council.

4. Review of Effectiveness

Barnsley Metropolitan Borough Council has responsibility for conducting (at least annually), a review of the effectiveness of its governance framework, including systems of internal control and risk management arrangements. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the

governance environment, the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates.

4.1 Senior Management Team (SMT)

4.1.1 Annual Assurance Statements

The Council's SMT is responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework. As part of this function, each member of SMT is provided with details of their services assurance information for the year. This assurance information contains:

- Significant and Fundamental Internal Audit recommendations that have been made to individual business units;
- Significant and Fundamental themed Internal Audit recommendations that are relevant to specific business units; and,
- Other Sources of Assurance information sourced from Internal Control and Governance lead officers.

Following receipt of the above information by each individual Service Director, each SMT member is then asked to provide assurances regarding the overall governance arrangements for their Directorate.

This information has then been evaluated, and where appropriate, included in the Annual Governance Statement Action Plan.

4.1.2 Annual Review Statements and the developing Corporate Assurance Framework

The Council has adopted a comprehensive set of internal policies and procedures that govern key aspects of its operations as part of the drive to develop high quality local public services. Collectively, these are referred to as the Internal Control Framework.

Each of these key policies, plans and procedures has a senior lead officer with overall responsibility for their maintenance and review. The previous Annual Governance Review process provided an opportunity for each designated lead officer to prepare an annual review statement on their respective areas of responsibility.

The developing Corporate Assurance Framework (CAF) aims to collate these discrete elements of the Council's Internal Control Framework into an overarching assurance document, which will allow for the mapping of risks, systems, processes and assurances against the controls in place. This will also include an evaluation of the adequacy, in terms of the breadth and depth of assurance coverage provided to ensure there is sufficient evidence available to ascertain whether the controls are effective, efficient and comprehensive. This is combined with an assessment of current assurances on the effectiveness of current controls in the mitigation of risk to ensure they are also adequate, efficient and comprehensive.

Policies included within the Council's Internal Control Framework are also subject to cyclical, risk based review by the Council's Internal Audit division.

4.2 Internal Audit

4.2.1 The HoIA is responsible for providing assurances on the robustness of the Council's internal control arrangements to the Audit Committee. Ar

Internal Audit division is also presented to the Audit Committee. In terms of the 2014/15 report, which the Committee considered at its meeting on 10th June 2015, the HoIA gave a controls assurance opinion which reflected that systems concerning internal controls were adequate and that no fundamental breakdown of any such systems had occurred.

- 4.2.2 The results of Internal Audit's work during 2014/15 had identified in general a good level of effective controls being in place. However, there has been a deterioration in the number of recommendations implemented by the due date during 2014/15. The Audit Committee has expressed concern regarding this matter. Senior Management have been reminded of their responsibilities to implement agreed recommendations to ensure any control, risk or governance weaknesses identified through internal audit work are corrected.
- 4.2.3 Internal Audit have found that in many cases the delay in implementing recommendations has been a direct consequence of the significant demands placed on senior management over the last 12 months in implementing the Future Council, which included a fundamental review of all services. It is hoped that in 2015/16, following the delivery of the Future Council, senior management will once again be able to meet their timescales for implementing recommendations.
- 4.2.4 The role of Internal Audit within the governance, risk and internal control framework is to operate both independently and objectively in reviewing and reporting on the effectiveness of the Annual Governance Review process and the corporate Risk Management framework. This work has been undertaken by a Principal Auditor reporting directly to the Executive Director, Finance, Assets and Information Services in order to preserve that independence.

4.3 Strategic Risk Management

Work undertaken by the Risk Management Section during 2014/15 included support and challenge in the management and development of the Council's SRR and the preparation of reports to SMT, Cabinet and the Audit Committee. Work has also included promoting and embedding good risk management practices throughout the Council, and its partners, as well as preparing both annual and periodic update reports to the Audit Committee.

4.4 External Audit, Assessment and Inspection

Barnsley Metropolitan Borough Council is subject to external assessment and regulation by auditors and service inspectorates such as OFSTED and the Care Quality Commission (CQC). Services, in conjunction with the Corporate Assurance Group are responsible for ensuring that the relevant findings from external audit or other assessment activity informs the annual evaluation process, which underpins the production of the Annual Governance Statement.

- 4.5 In summary, the following principal sources of evidence were considered when carrying out this evaluation:

- Assurances provided by Service Directors and Executive Directors regarding the overall governance arrangements for Business Units, and Directorates;
- Internal Audit Annual Report;
- Risk Management Annual Report;
- The Annual Audit letter;
- Key issues arising from the Annual Corporate Health and Safety Annual Report;
- The Local Government Ombudsman's Annual Monitoring Report on BMBC's complaints;
- The independent Internal Audit Annual Review of the Annual Governance Review and Statement process and Corporate Risk Management arrangements; and,

- A review of the action taken and progress made in relation to the issues raised in the 2013/14 Annual Governance Statement and associated Action Plan;

4.6 Corporate Assurance Group (CAG)

It is envisaged that following the transition to the Future Council, the Corporate Assurance Group membership and terms of reference will be reviewed to reflect the new structural and functional arrangements.

- 4.7 The development of the revised Annual Governance Review process was however presented to the Barnsley Leadership Team (BLT) and the SMT in February 2015, and was developed in conjunction with the internal control and governance lead officers. Furthermore, the Audit Committee were updated regarding the revised Annual Governance Review process at their meeting on 25th March 2015.

5. Significant Governance Issues

- 5.1 The annual review of the Council's governance, risk and internal control arrangements in 2014/15 has not identified any fundamental issues and has confirmed that the general level of compliance with the Council's governance and internal control framework remains good.
- 5.2 The review process has taken into account the action taken against the control issues raised on previous Annual Governance Statements.
- 5.3 The Action Plan to be monitored during 2015/16 comprises the issues that have been carried forward from previous years, along with issues that arose from the 2014/15 review.

6. Statement by the Leader of the Council and the Chief Executive

- 6.1 We are satisfied that the comprehensive review process undertaken has identified the relevant areas for attention over the forthcoming year. The Action Plan put in place will be monitored by the Council's Audit Committee will (when implemented) further enhance the Council's governance, risk and internal control framework.

.....
Councillor Sir Stephen Houghton MBE
Leader of Barnsley MBC

.....
Diana Terris
Chief Executive of Barnsley MBC

Date:

Date:

BARNSELY METROPOLITAN BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2015/16

Ref	Annual Governance Statement Action	Responsible Director	Timescales	Current Position – Action Taken / Planned
1	To further develop and embed a practical framework to assist in the effective governance and control of the Council's partnerships, contracts and general relationships with external organisations. This has increased significance in the context of the Future Council programme.	Executive Director, Legal and Governance	31 st December 2015	<u>June 2015</u> A Working Group has been convened and is due to meet in August 2015, with representatives from all Directorates who will identify a suitable organisational approach. The nature and scope of the Partnership Governance Framework has been significantly influenced by the transition towards the Future Council, and this has also had a bearing on overall timescales and progress. Now individual Business Unit characteristics are clearer, the identification of their significant partnerships and relationships will also be clearer. A single framework approach will be in place by December 15.
2	To continue to develop a corporate Information Governance framework and associated policies / procedures and guidance for implementation across the Council.	Executive Director, Finance, Assets and Information Services	31 st December 2015	<u>June 2015</u> SD (Information Services) has developed the IT Framework. This includes Information Governance elements particularly around information security although a fully dated policy on systems access is still outstanding. The policy will require alignment against relevant Customer Services policies.
3	Improving Performance and Development Review (P&DR) compliance across the Council in 2015/16.	Executive Director, Human Resources, Performance and Communications	31 st December 2015	<u>June 2015</u> The compliance with the P&DR process for 2015/16 will be monitored on a monthly basis by SMT. A target of 85% compliance across the Council has been agreed.
4	Improving the use of financial management and monitoring application in 2015/16.	Executive Director, Finance, Assets and Information Services	31 st December 2015	<u>June 2015</u> New system went live April 2015. Initial training with all Service Managers completed April 2015. Follow up training on forecasting and reporting functionality commenced July 2015. Usage tracked through standard budgetary procedures.
5	Improve the Council's Business Continuity Planning arrangements in accordance with the 2014/15 Themed Internal Audit findings.	Executive Director, Human Resources, Performance and Communications	31 st December 2015	<u>June 2015</u> Internal Audit report issued 17/06/2015. Agreed management actions being implemented.
6	Review the recording of officer delegated decisions to ensure this in line with legislation.	Executive Director, Legal and Governance	31 st December 2015	<u>June 2015</u> Review the process for recording officer delegated decisions to ensure it is appropriate and robust.

Item 6

Report of the Head of Internal Audit

AUDIT COMMITTEE – 18TH SEPTEMBER 2015

CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

1. Purpose of the Report

- 1.1 This report provides the Audit Committee with an account of the work of the Corporate Anti-Fraud Team from 1st April 2015 to 1st September 2015.

2. Recommendations

2.1 It is recommended that:-

- i. The Audit Committee notes the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption.
- ii. The Audit Committee continues to receive 6 monthly progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.

3. Background Information

- 3.1 The Audit Committee received details of progress in the Annual Fraud Report presented at the June meeting. This report highlights the further work undertaken and progress in respect of fraud management over the last few months.

4. Council Tax Support Investigations

- 4.1 On 1st April 2013 Council Tax Benefit (CTB) was replaced by Council Tax Support (CTS). Council tax Benefit was a Social Security benefit and was administered under Social Security legislation whilst CTS is a Council Tax discount administered under the Local Government Finance Act.
- 4.2 As CTS has only been in legislation for two financial years the levels of fraud identified nationally are still relatively low. CAFT have identified fraudulent council tax support claims of £680 with additional savings of £425 identified since April 2015.
NB. The value of the fraud is the total council tax support fraudulently claimed with projected savings upto the end of the current financial year. The savings record the value of the overpayment had the fraud not been identified.
- 4.3 A summary of the Council Tax Support workload of CAFT for the period 1 April 2015 to 31st August 2015 is shown below.

Referrals	55
Accepted for investigation	10

- 4.4 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Change in circumstance already known - no issue	12
Poor intelligence – not enough evidence to pursue	6
Referred to DWP for investigation	14
No benefit in payment – no issue	6
No evidence of fraud	4
Other	3
Total	45

- 4.5 The Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) are working together to reduce fraud and error within the benefits system by improving the sharing of data across central and local government and other agencies. This shared approach ensures that the most up-to-date details of people's pension and employment income is held using Real Time Information (RTI) data.
- 4.6 Monthly RTI income data now helps the DWP identify people who have not declared (or have under-declared) income from earnings or pension payments, when claiming benefits such as Housing Benefit. The DWP cross-references benefit claims with earnings data to identify people who are under-reporting their income. Details of potential frauds are then made available for local authorities to investigate.
- 4.7 CAFT is now just starting to receive RTI referrals with council tax support implications and four claimants who appear to have undeclared earnings / pensions have been invited to attend interviews under caution as part of the investigation progress.

5. Council Tax

- 5.1 CAFT have identified fraudulent council tax liability claims of £2,357 with additional savings of £528 identified since April 2015.

NB. The value of the fraud is the total council tax discount / liability fraudulently claimed / identified with projected savings up to the end of the current financial year. The savings record the value of the overpayment had the fraud not been identified.

- 5.2 A summary of the Council Tax workload of CAFT for the period 1 April 2015 to 31st August 2015 is shown in the table below.

Referrals	43
Accepted for investigation	7

- 5.3 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Change in circumstance already known - no issue	9
Poor intelligence – not enough evidence to pursue	1
No discount present	1
Survey form requested	2
No evidence of fraud	21
Other	2
Total	36

- 5.4 The pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount is due to take place later this month/early October. A meeting with the preferred supplier and colleagues from Benefits, Taxation and Income finalising timescales is to take place on 16th September.
- 5.5 BMBC issue approximately 106,000 annual council tax bills and 37,000 (35%) of these bills attract a single person discount. This is consistent with national figures indicating that SPD claimants represent about one-third of council taxpayers.
- 5.6 An Audit Commission analysis of SPD frauds investigated by councils in 2010 found that fraudulent levels of claims were commonly between 4% and 6% of SPD claims. Using the Audit Commission findings and using 5%, it suggests that in excess of 1,800 SPD claims within the Borough may be fraudulent.
- 5.7 Once the results of the data-matching process have been received work will commence on investigating those with the highest fraud-risk indicators. The Committee will receive further information in due course,

6 Right to Buys (RTB)

- 6.1 The number of RTB applications has continued to rise from 40 in 2011/12 to 130 in 2014/15 following the increased discount (up to a maximum of £77K). This rise increases the risk of fraud and CAFT are assisting the Right to Buy Team to ensure that all new applications are subject to appropriate scrutiny and challenge.
- 6.2 CAFT has undertaken checks against 35 Right to Buy applications as at the end of August.
- 6.3 Liaison with the Right to Buy Team and the Council's Enforcement Unit has resulted in one RTB sale being stopped and additional checks are currently being undertaken on a recently submitted application.

7. Corporate Investigations

- 7.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a specific service area such as council tax or tenancy fraud.
- 7.2 Since 1 April 2015 work in this area has included:
- Advice to managers undertaking management disciplinary investigations;
 - Review of the recruitment exercise within an Authority's service;

8. National Fraud Initiative

- 8.1 Internal Audit/CAFT co-ordinates the Council's involvement in the National Fraud Initiative (NFI), which is the former Audit Commission's biennial data matching exercise designed to detect fraud and error across the public sector.
- 8.2 The datamatches relating to the 2014-2015 exercise were received at the end of January 2015. Over 3,000 matches have been completed and a further 47 are currently being investigated as at 31st August 2015.

8.3 The Authority's data match investigations has identified the following overpayments:

- Personal budgets - £5,247
- Housing Benefit - £884

Note. The Authority is not responsible for investigating possible housing benefit frauds identified through the NFI exercise. CAFT have undertaken a sift of housing benefit datamatches and have referred a number of matches to the DWP's Single Fraud Investigation Service for further investigation.

9. Tenancy Fraud

9.1 Members of CAFT have provided fraud awareness training to officers within Berneslai Homes. As a result of guidance given at the training sessions a number of Berneslai Homes officers have sought advice from CAFT.

9.2 CAFT has subsequently provided a basic investigative support to Berneslai Homes to help identify potential fraudulent tenancies. This support has enabled Berneslai Homes to recover a property which was not being used by the tenant as their main home.

10. Financial Implications

10.1 Whilst there are no direct financial implications arising from this report there are inherent financial issues concerning anti-fraud and corruption. An increase in controls may have cost implications, both in terms of additional checks, potentially slowing down service delivery, and computer system changes. Those costs have to be balanced against the risk of loss, whether because of fraud or general inefficiency. Any cost implications arising from the need to introduce additional controls and mitigations will be discussed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

11. Risk Considerations

11.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.

11.2 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register.

Contact Officer: Head of Internal Audit
Telephone: 01226 773241
Date: 10th September 2015

BARNSELEY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Director of
Finance, Assets and
Information Services

CORPORATE FINANCIAL PERFORMANCE – QUARTER ENDING 30 JUNE 2015

1. Purpose of Report

1.1 To consider the financial performance of the Authority during the quarter ended June 2015 (including progress made against agreed savings targets) and assess the implications against the Council's Medium Term Financial Strategy (MTFS) and Reserves Strategy. The key headlines are:

- The overall position for Council services is a projected £1.8M underspend but after assessing slippage and transfers to reserves there is a potential overspend of £0.9M in 2015/16;
- After allowing for grant fall out (e.g. Better Care Fund) and other non-recurrent savings there is an underlying overspend of £2.3M that will materialise in 2016/17 without corrective action;
- In addition, the Government has confirmed that the Council will receive New Homes Bonus (NHB) of £5.6M in 2015/16 which will be transferred to strategic reserves in line with the reserves strategy (see Section 8);
- The position on agreed savings is 94.7% against target, amounting to an adverse variance of £0.9M across the People and Place directorates. Corrective action is required to address this shortfall;
- The potential impact of the monitoring position on the Council's MTFS is shown at Section 7;
- The potential impact of the monitoring position on the Council's Reserves position is shown at section 8 of this report; and
- 'In year' cuts to Public Health of just over £1.0M with the potential for an ongoing impact of £1.2M.

2. Recommendations

2.1 It is recommended that Cabinet:

- Request that Executive Directors/ Directors (where appropriate) bring back further reports on how their forecast overspends will be brought back into line with existing budgets and on a recurrent basis;
- Approve the write off of £1.109M of historic bad debts as shown at Section 6;
- Approve the budget virements at Appendix 1;
- Approve the transfer of £5.6M New Homes Bonus to strategic reserves;
- Note the potential impact of the June monitoring position on the Council's MTFS at Section 7; and

- Note the updated Revenue Reserves position as outlined at Section 8 and the intention to report a fully updated Reserves Strategy to Cabinet following the Chancellor's Autumn Statement in late November.

3. Overall Position to the Quarter Ending June 2015

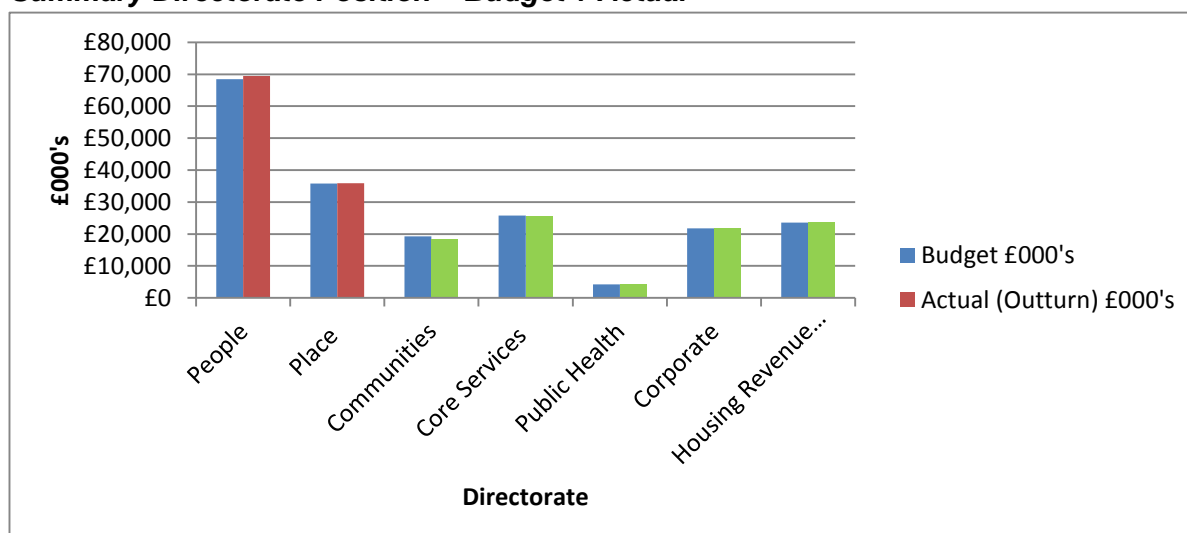
- 3.1 The table below provides the monitoring position for Directorates and Corporate budget items at the end of June broken down between the 'in year' position for 2015/16 (after allowing for earmarkings) and the FYE position taking into account one-off funding (e.g. Better Care Fund) and non-recurrent savings dropping out. There is a £0.9M projected overspend for 2015/16. The £2.3M projection in the final column of the table represents the underlying over-spend that the Council will incur in future years without corrective action by services.

DIRECTORATE	Approved Gross Expenditure Budget 2015/16 (after Virements) £'000	Approved Gross Income Budget 2015/16 £'000	Approved Net Budget 2015/16 £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) * £'000
People	264,570	(196,110)	68,460	69,460	1,000	-	1,000	1,800
Place	75,858	(40,140)	35,755	35,919	164	-	164	498
Communities	40,728	(21,456)	19,272	18,605	(667)	400	(267)	-
Public Health	11,558	(7,372)	4,186	1,936	(2,250)	2,250	-	-
Core Services	177,878	(152,155)	25,722	25,682	(40)	-	(40)	-
Service Totals	570,592	(417,197)	153,395	151,602	(1,793)	2,650	857	2,298
Corporate / General Items	30,675	(8,948)	21,727	16,127	(5,600)	5,600	-	-
Sub Total – Council	601,267	(426,145)	175,122	167,730	(7,393)	8,250	857	2,298
Housing Revenue Account	98,065	74,634	23,557	1,529	(22,028)	21,920	(108)	-

* reflects fall out of Better Care Fund and other non-recurrent Directorate savings

- 3.2 The chart below provides an overview of the overall position for the Council which breaks down the budget against actuals for People, Place, Communities, Public Health, Core Services and Corporate budgets.

Summary Directorate Position – Budget v Actual



4. Delivery of 2015/16 Future Council Savings Proposals

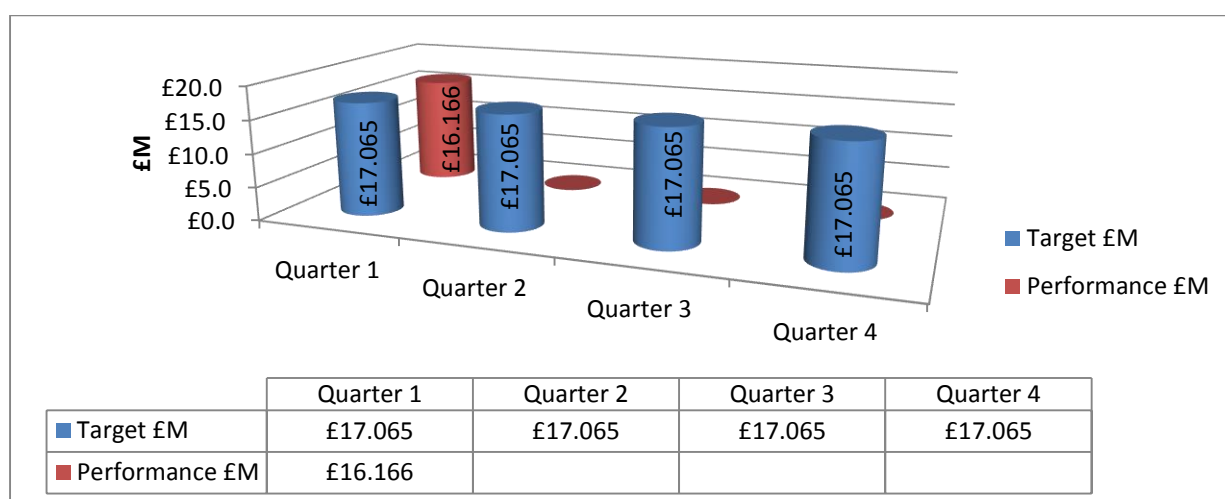
4.1 The Council's 2015/16 (and 2016/17) budget is dependent upon the delivery of its budgeted savings proposals. The 2015/16 approved budgeted savings total is £17.065m with directorates currently reporting 94.7% delivery against target at the end of the 1st quarter.

4.2 The overall adverse variance is £0.9M with the following significant items:

	Directorate	£m
Reduction in Mental Health Contract (SWYPFT)	People	0.200
Cease provision of medication checks in People's Homes	People	0.200
Various Waste & Recycling savings	Place	0.166
Travel Training	Place	0.125
Other 'Place' savings (net)	Place	0.208
Sub Total - 1st quarter monitoring position		0.899

4.3 The following chart shows the position on approved savings for front facing and core directorates.

Overall Position for Approved Savings – first quarter



5. Corporate Resources

5.1 The Council's major sources of discretionary income are Business Rates and Council Tax. The Council's financial health is therefore reliant upon the collection rates for Council Tax and NNDR. The following table shows the collection rates and the potential financial impact on the Council.

	Annual Target	Equivalent Financial Target	Quarter 1	Impact of Collection Rate	Variance
Council Tax	96.5%	£75.1M	95.9%	£74.6M	+£0.5M
NNDR (local share)	98.0%	£26.4M	98.0%	£26.4M	NIL

5.2 Current Council Tax collection rates are forecast to under-shoot the stretch target by around 0.6%. However, current collection rates are already higher than in 2014/15 and benchmark favourably both nationally and locally. Although the current collection

rate would allow the Council to meet its budget requirements, there is a potential to generate a further £0.5M if current collection rates can be improved/ increased in line with the stretch targets. This would increase the Council's Collection Fund surplus and thereby be available to support the MTFS.

- 5.3 Actions are currently in place to work towards this aspirational target including a new approach to managing the Council's debts introduced as part of Future Council.

6. Debt Management

- 6.1 Bearing in mind the economic climate, it has become more important than ever to manage the Council's debtors effectively. The current overall arrears position of the Council stands at £33.3M. This position is constantly changing as the debts move through the various stages of recovery and also as a result of the current uncertain economic climate. The current debt position includes some historic debt and it is therefore good financial management to provide for non-recovery of some of these debts. The current provision for bad debts stands at £11.8M against the pre 2015/16 arrears of £19.715M. The Director of Finance, Assets and Information Services is now seeking approval to write off some of the historic debt amounting to £1.1M which has become uneconomical to pursue. This is summarised in the table below:

Type of Debt	Pre 2015/16 Arrears as at 30 th June £M	2015/16 Arrears as at 30 th June £M	Total Arrears as at 30 th June £M	Bad Debt Provision * £M	Write Offs For Approval £
Council Tax	11.496	0.975	12.471	8.019	955,952
Business Rates	1.731	3.340	5.071	1.826	Nil
Trade Debt General Fund	6.263	9.261	15.524	1.752	146,324
Trade Debt HRA	0.225	0.010	0.235	0.176	7,145
TOTAL	19.715	13.586	33.301	11.773	1,109,421

* Provision against current year debt reviewed annually

7. Impact on MTFS

- 7.1 The MTFS has a balanced position for 2015-7 (based on delivering £28M of agreed savings) and a gap of £12.1M in 2017/18. This is subject to change particularly as a result of changes to Government funding projections. The Government has already announced 'in year' cuts to Public Health grant and whilst further details are awaited, it is anticipated that this will equate to a funding reduction in 2015/16 of in the region of £1.2M. The Chancellor's Emergency Budget on the 8th July did not provide any further detail to allow a more accurate update to the current medium term financial forecast. It is therefore intended that a meaningful update of the MTFS will be prepared and submitted into Cabinet following the 2015 Autumn Statement which is due to be released in late November.
- 7.2 The June monitoring position shows an under-spend of £1.8m for Council Services however, after requested earmarkings and transfers, the outturn position for 2015/16 is likely to be an over-spend of £0.9M. After allowing for the fallout of one off funding for the Better Care Fund of £0.8m and other non-recurrent savings in Directorates, the underlying overspend position is £2.3M which will need addressing with immediate effect.

	2015/16	2016/17	2017/18
Current MTFS	£0M	£0M	£12.1M
Underlying implications of June monitoring	£0.9M *	£2.3M	£2.3M
Revised MTFS position if uncorrected	£0.9M	£2.3M	£14.4M

* Position offset by Better Care Fund of £0.8m and other non-recurrent savings.

- 7.3 It is therefore crucial that corrective action is undertaken by Directorates and Business Units to ensure that future deficits are eliminated especially in light of further government cuts.

8. Impact on Council's Reserves Strategy

- 8.1 The position reported to Cabinet in December 2014 showed an unallocated revenue balance of £1.6M. This has increased by £2.3M to £3.9M as a result of the following:

- £1.3M transferred to strategic reserves during 2014/15 after the reserves strategy had been set (relating to lower than expected DRL costs);
- £0.5M transferred in at year end representing the 2014/15 under-spend; and
- £0.5M transferred in at year end following the reclassification of existing reserves (Insurance Fund).

- 8.2 Other 'known' changes to the Reserves Strategy are shown below and reflected in the following table:-

- The Council has received confirmation from Government that it will receive NHB of £5.6M in 2015/16;
- As mentioned, the Government has announced 'in year' cuts to Public Health grant. Further details are awaited but on a prudent basis, a £1.2M requirement is reflected in the adjustment to Strategic Reserves at this stage.

		2015/16
Original unallocated balance	£1.6M	
Changes post closedown (as above)	£2.3M	
Confirmation of 2015/16 NHB allocation	£5.6M	£9.5M
Less provision set aside for Public Health (15/16– 16/17)		-£2.4M
Revised Total		£7.1M

- 8.3 Whilst it is expected that Executive Directors/ Directors will take corrective action to manage any prospective overspends, the following table updates the impact on the Reserves position if these overspends do materialise over the next two years.

		2015/16
Revised Position above		£7.1M
2015/16 overspend if unaddressed	-£0.9M	
2016/17 overspend if unaddressed	-£2.3M	-£3.2M
Revised Total		£3.9M

- 8.4 There will be a more detailed review of the Council's Reserves Strategy after the Autumn Statement is released in late November 2015.

CONTENTS

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2. Place – Executive Director's Report
3. Communities – Executive Director's Report
4. Public Health – Director's Report
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8. Commentary on Corporate Budgets

APPENDICES

1. Directorate Virements
2. Overall Budget Monitoring position for the Council
3. Detailed budget variances for Directorates
4. Detailed position for agreed savings
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SECTION 1 - Executive Director's Statement For People

Executive Director's Statement

i. Overview

The latest 2015-16 approved budget envelope for the People Directorate is £68.5M and includes schools balances (£4M) brought forward from 2014/15.

Based on current projections, the Directorate is anticipating a net operational over-spend of £1.0M in the current financial year which will rise to **£1.8M** FYE when one off funding in 2015/16 drops out. The projected overspend is attributable to cost pressures across Adult Assessment & Care Management and Children Assessment & Care Management mainly relating to children in care costs. The key significant variances across the People Directorate are explained below.

Quarter 1 Position to the end of the quarter ending June 2015

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) * £'000
Education, Early start & Prevention	16,892	16,892	0	-	0	-
Adult Social Care & Health	31,964	31,964	0	-	0	800
Children Social Care & Safeguarding	19,604	20,604	1,000	-	1,000	1,000
Total - People	68,460	69,460	1,000	-	1,000	1800

*Reflects one off funding for the Better Care Fund dropping out at the end of 15/16

ii. Key Variances

Education, Early Start & Prevention (£0.0M)

No significant variations reported.

Adult Social Care & Health (£0.0M)

An 'in year' balanced budget position is currently projected for Adult Assessment & Care Management against an approved budget of £31.7M however the underlying position is an overspend of £0.8M when Better Care funding drops out at the end of 2015/16. The key challenges / financial risks faced by the Business Unit are outlined below:-

- Demographic pressures/ Unachieved Approved Savings (+£0.8M) - there has been a steady year on year rise in care costs consistent with the impact of an ageing population, which has been managed to date through a number of implemented actions plus additional health funding. The loss of this funding (now subsumed within the Better Care Fund), increasing numbers of children with complex needs transitioning into adults (Learning Disabilities) and adults with complex needs living longer are continuing to exert significant pressures on the adult care purchasing budgets. This position also reflects the potential shortfall in relation to the two

approved savings targets identified at section iii 'Approved Saving Position'.

- Better Care Fund (£0.0M) - there is an assumed risk (up to £0.9M) to the Council based on the financial risk share of the performance element (reduced hospital admissions) within the BCF plan. However, the latest indication (based on quarter 1 data) suggests there is no financial risk at this stage.
- Care Act Implementation (-£0.8M) - phase 1 of the Act takes effect from 1 April 2015 and places new duties / burdens on the authority, of which the key changes are; assessing and meeting the needs of carers; ensuring a minimum level of eligibility for care & support and a deferred payment scheme. Additional funding has been made available through specific grant funding and the Better Care Fund to meet additional costs in 2015/16 but will fall out in 2016/17 leaving an ongoing spending pressure in this business unit of £0.8M.

Children's Social Care & Safeguarding (£1.0M)

A net financial risk of £1M is projected for the Children Assessment and Care Management Business Unit mainly attributable to:-

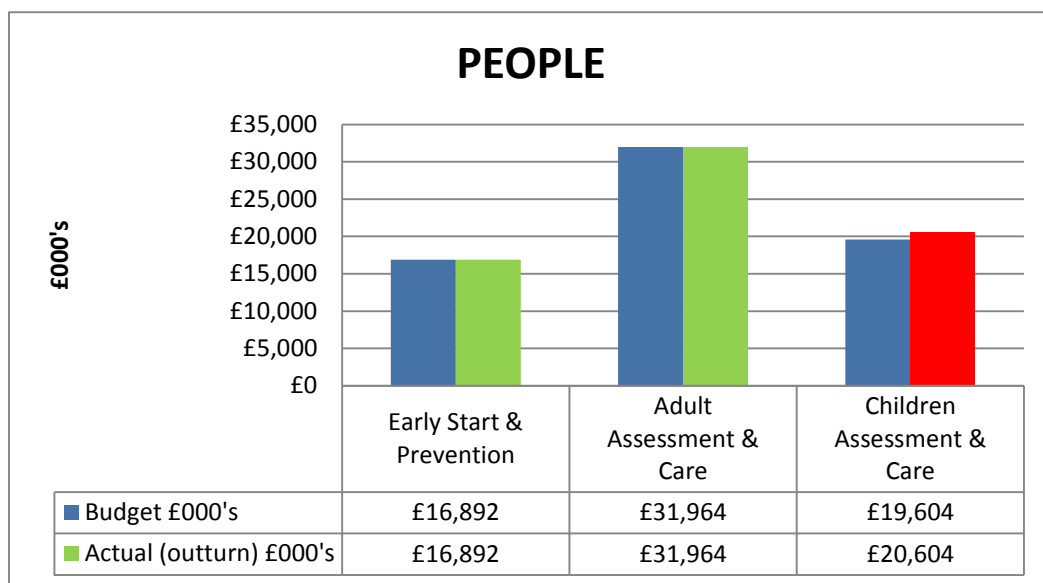
- Children in Care placement costs (£0.7m) - a financial pressure of £0.7M is currently anticipated arising from the non-achievement of the cost reduction target (£0.4M) built into the placement & sufficiency strategy together with demographic pressures of £0.3M. There has been a steady increase in admissions into care since last year (quarter 4), with the full year impact in 2015/16 a contributory factor to the reported overspend. The numbers of Looked After Children (LAC) increased to 257 at the end of May, with 48 new admissions into care in Q4 alone. Despite this increase Barnsley's rate of LAC is still much lower than national and statistical averages. The number of out of authority residential and fostering placements is significantly higher than allowed for in the strategy / plan. Equally, there is a significant change in the demographic / profile of the placements, with an increasing number of teenagers / adolescents, that are more costly and difficult to place with in-house foster carers.
- Care leavers / other children in care (£0.3M) - an overspend of £0.3M is currently projected relating to increased costs (including supported accommodation) for care leavers and other children in care costs such as legal / court fees.

Schools

The latest 2015-16 forecast surplus balances position for delegated schools budgets is £1.6M. This needs to be considered in the context of the £4.5M surplus position reported at year end 2014-15. This reported position includes a number of schools with approved deficit budgets that are being managed through agreed budget recovery plans with the schools concerned.

In respect of the centrally retained schools DSG budgets, there are a number of financial risks that are exerting pressure on the approved budgets including: increased demand on the contingency fund (redundancy costs); pupil growth fund (increase in school places); staff cover costs (maternity); high needs funding (increased no. of SEN pupils, demand for specialist places within the borough and 'out of authority' SEN placements). The 2014-15 DSG carry forward plus spend slippage on some DSG budgets should provide scope / flexibility for managing the above financial pressures.

Directorate Position – Budget v Actual



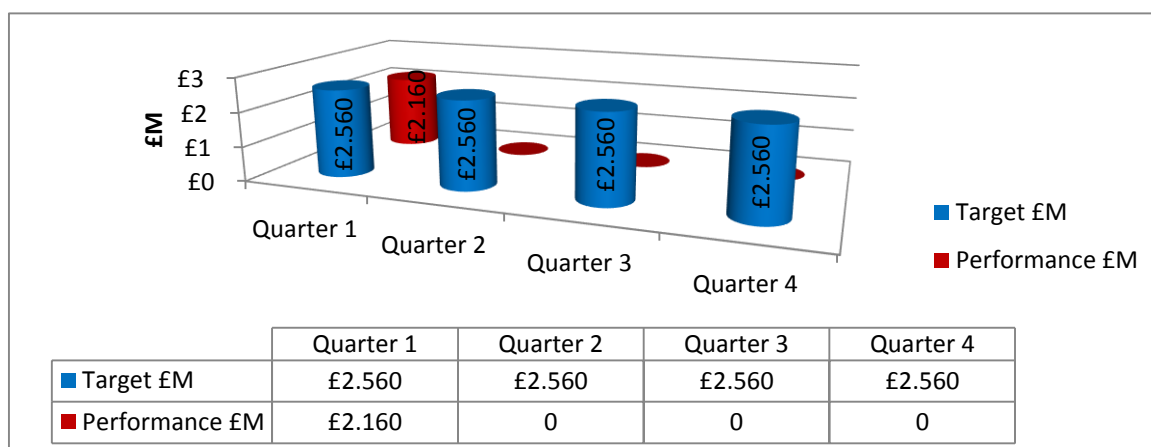
iii. Approved savings position

The total approved savings target for the People Directorate for 2015/16 is £2.560M and includes additional net investment of £0.450M (for the establishment of the Intensive Adolescent Support Service and Quality & Assurance capacity within the Safeguarding Unit).

Current projections indicate that all the savings are on target to be delivered, with the exception of the following savings where there is an identified risk of shortfall:

- Reduce Mental Health Contract with SWYPFT (£0.2M) - a risk of a £200k shortfall against a £500k target has been identified. The intention is to seek savings through a review and renegotiation of high cost residential care provision to ensure care packages are at the right scale and right cost;
- Cease provision of medication checks in people's homes (£0.2M) - Risk of non-achievement of the full £200k saving. The latest plan is to manage this risk within the Purchasing Budget. The service is currently examining how the new domiciliary care service procurement could instead achieve some savings in a proportion of care packages (however this will not be realised until 2016/17).

Forecast Efficiency – Performance v Target



iv. Corrective Actions

The following key actions will be taken by the Directorate to address the identified pressures:

Remedial actions have been put in place by Children's Social Care (CSC) Managers in response to the recent increase in placements and cost pressures, including:

- scrutiny of all children's care plans who are placed in 'out of authority' placements; scrutiny of all new admissions into care during Q4;
- a review of the delegated decision making and referral pathways for children coming into care and placement matching; and
- a concerted drive to recruit more foster carers specifically for adolescents, with refreshed targets set for 2015/16.

Demographic pressures within Adult Social Care are being managed through a combination of:-

- the effective embedding of the redesigned Adult Social Care target operating model (performance metrics in place to measure effectiveness / outcomes);
- other ongoing work / initiatives to manage down care costs such as the LD project (that focuses on the review of high cost placements); and
- transition planning and renegotiation / tendering of contracts (e.g. £54k annual savings achieved through the retendering of the LD respite contract with St Annes).

v. Future Outlook

The main risks for the remainder of the year and for future years relate to demand-driven pressures, particularly demographics in terms of increasing numbers of care placements (adults and children) and the care population in general. There will also be pressure to increase provider fees in light of the budget announcement to raise the minimum living wage. As mentioned the underlying shortfall for the Directorate to address is £1.8M when Better Care funding falls out in 2015/16.

The key significant saving for the People Directorate for 2016/17 relates to the reconfiguration of the early start / children centres, with a target savings of £2M. Phase 2 consultation has commenced as planned.

SECTION 2 - Executive Director's Statement For Place

Executive Director's Statement

i. Overview

The approved 2015/16 resource envelope for the Place Directorate totals £35.7M. The total forecast position as at the end of the first quarter is £35.9M resulting in a net over-spend of £0.2M. In addition, the forecast net overspend includes non-recurrent vacancy savings that means that the Directorate has an underlying FYE overspend of £0.5M.

Quarter 1 Position to the end of the quarter ending June 2015

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17)* £'000
Economic Regeneration	2,946	2,946	-	-	-	25
Culture, Housing & Regulation	2,060	2,155	95	-	95	95
Environment & Transport	30,749	30,818	69	-	69	378
Total – Place	35,755	35,919	164	-	164	498
Housing Revenue Account	23,557	1,529	(22,028)	21,920	(108)	-

* reflects non-recurrent savings

ii. Key Variances

There are a number of contributing factors that have resulted in this position. The key variances by Business Unit are set out below:-

Economic Regeneration

This Business Unit is currently forecasting a breakeven position. The key variances are highlighted below:

- Building Control Income Shortfall £0.080M - during the first quarter fewer than anticipated applications for Building Control inspections have been received. The service has commenced a concerted marketing campaign to increase the number of applications being received. Activity will continue to be monitored closely throughout the year.
- Planning Fee Income (£0.025M). - Planning fees are also expected to under achieve income targets in 2015/16.
- Vacancy Management (-£0.105M) - the above shortfall in income is also as a result of delays in recruitment to positions under new Future Council structures, resulting in an underspend of £105k in employee costs. This position is however non-recurrent.

Culture, Housing & Regulation

This Business Unit is currently projecting an overspend of £0.095M as a consequence of challenges in the delivery of two efficiency proposals as highlighted below:-

- PLACE 13 Increased Income in Culture (£0.050M). The service has recently seen a loss in income on the 2014/15 position as a result of the Royal Hussar collection being removed at Cannon Hall (income loss of £16K). In addition, the service is also encountering difficulties in operating as a commercial entity mainly due to not being able to claim gift aid relief on contributions received. An action plan is currently being formulated.
- PLACE 18 Income from Local Energy Production (£0.045M). Following a full appraisal of the income generating initiatives to be progressed it has become clear that this saving will not be fully achieved in this financial year. A number of alternative proposals are currently being examined. Future reports will update on progress on these alternatives.

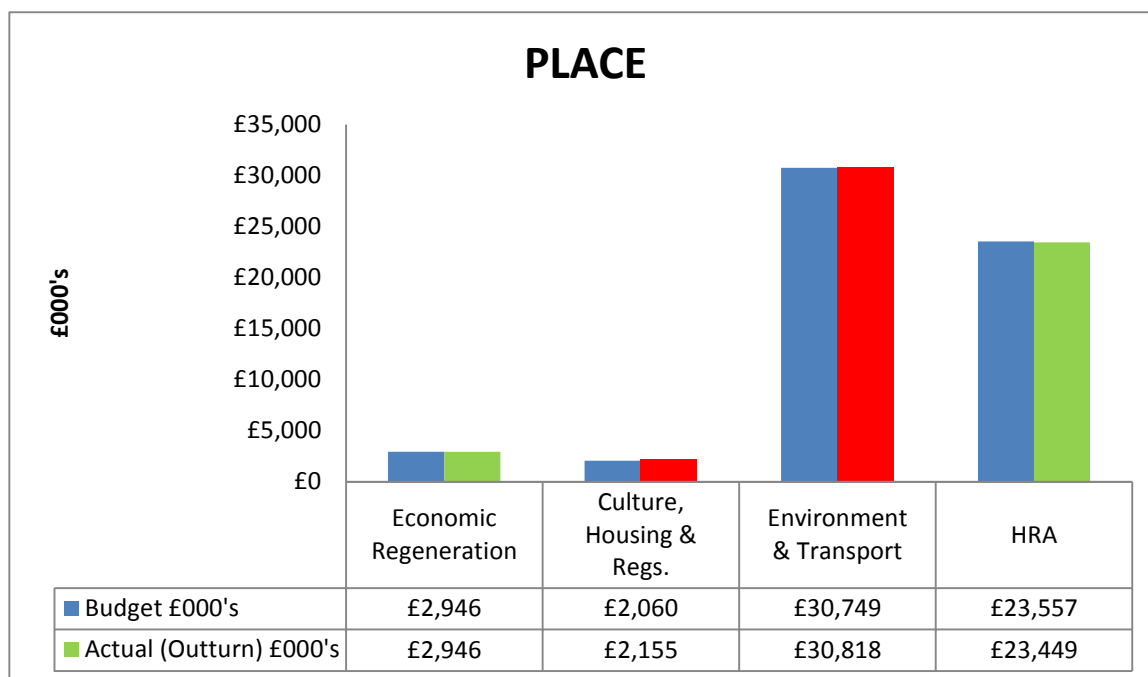
Environment & Transport

This Business Unit is currently projecting a minor overspend of £0.069M although there are a number of variances that make up this position. The key variances are highlighted below.

- PLACE 28 Travel Training (£0.125M) - this proposal aims to achieve total savings of £0.150M however, due to delays in consultation with key service recipients together with the difficulties experienced in implementing a proposal of this kind means that £0.125M will not be delivered this financial year.
- Various Savings (£0.454M) - There are 18 approved savings proposals that are projected to fall short of their 2015/16 targets. Full details are shown in Appendix 4 to this report however key areas include the inability to make the necessary saving on leasing costs (£0.050M) and delays in implementing the new strategy for non-core services within the Business Unit (£0.075M).
- PLACE 40 Reinstatement of 2014/15 Waste saving (-£0.100M) A service investment of £0.450M was made within the 2015/16 budget process to prevent issues that occurred in 2014/15 recurring again. However following a review only £0.350M is now required and therefore £0.100M will be used to offset 15/16 efficiency savings that are under delivering.
- PLACE 41 Car Parking Income (-£0.100M) This service investment was made as part of the 15/16 budget process to offset falling car parking income levels. However, due to changes in individuals' car parking habits this investment is no longer required.

The above 2015/16 savings deliverability issues are being mitigated in part by savings expected to be achieved as a result of delays experienced in the recruitment to the new Business Unit's Structure under Future Council (-£0.310M). However, this position is non-recurrent and as a result the Business Unit is currently exploring a number of alternative proposals to mitigate under-achievement. Future reports will update on progress in relation to this.

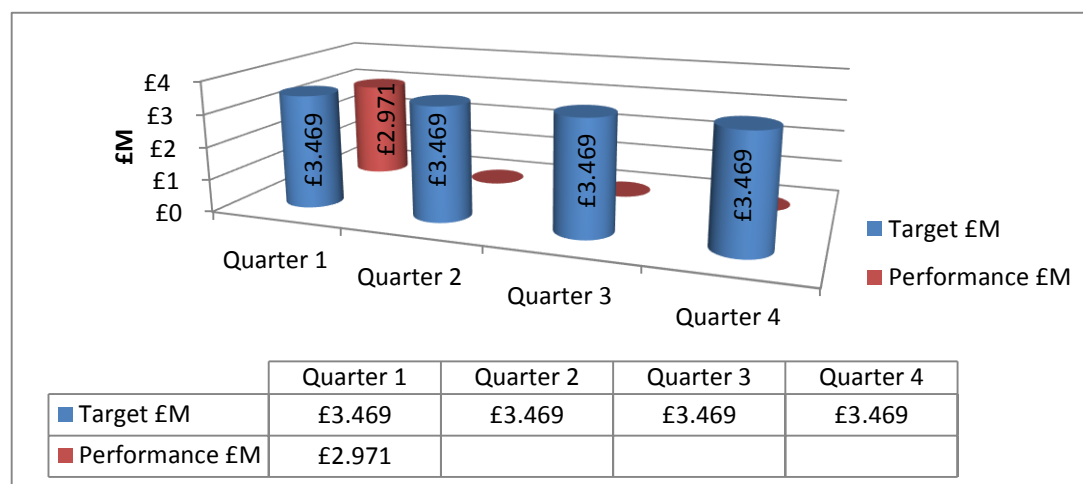
Directorate Position – Budget v Actual (FYE)



iii. Approved savings position

The 2015/16 budget reductions for the Directorate total £3.469M. The current position is that £0.498M is currently not on target to be delivered. Key variances are highlighted above. This position is mitigated in part this year by vacancy management and other minor underspends currently being achieved totaling £0.335M although this is non recurrent.

Forecast Efficiency – Performance v Target



Housing Revenue Account

The latest forecast outturn shows an improvement of £0.108M compared to the budget. The major variances are:-

- Increased income of £0.100M from dwellings rent due to reduced rent loss from void properties compared to budget;
- Increased Income from court fees recovered of £0.270M; and
- Offset by an unbudgeted cost for the 2015/16 Housing Ombudsman registration totalling £0.180M.

This underspend, if realised, will be available to support the 30 year Self Financing Business Plan.

iv. Corrective Action

As highlighted above a number of budget reduction proposals are not currently expected to deliver against their targets. However, to mitigate this a number of alternative proposals are currently being examined including:

- Commercial opportunities being explored across the Directorate including within the Crematorium and Neighbourhood Services.
- Trialling the use of an alternative sub-structure material within Highways construction.
- Contracts review for the hire of plant and machinery.

It should be noted that the above mitigations are at an early stage in their development and therefore future reports will update progress in relation to these proposals.

v. Future Outlook

In addition to the above the Directorate will see further budget reductions of £2.218M in 2016/17, some of which are based on two year proposals that are now reporting as under achieving in 2015/16. The Directorate is currently reviewing a number of alternative options to switch out those budget reduction proposals that will not be delivered. Although there has been some mitigation to date most of this is non-recurrent and will therefore need addressing moving forwards.

SECTION 3 - Executive Director's Statement For Communities

Executive Director's Statement

i. Overview

The total net budget for the Directorate is £19.3M. Total forecast net expenditure is £18.6M, resulting in a forecast under spend before earmarkings of £0.7M. Of this sum £0.4M is proposed for earmarking resulting in an operational under spend for the year of -£0.3M. This year end forecast is based on non-recurrent savings therefore the underlying FYE position for the Directorate is break-even.

Quarter 1 Position to the end of the quarter ending June 2015

DIRECTORATE	Approved Net Budget 2015/16 (after Virements)	Projected Net Outturn 2015/16	Forecast Deficit / Surplus (-)	Adjustment for Slippage & Transfer to reserves	Operational Deficit / Surplus (-)	FYE (16/17) *
	£'000	£'000	£'000	£'000	£'000	£'000
Customer Services	10,378	10,283	(95)	-	(95)	-
Safer, Stronger, Healthier	8,894	8,322	(572)	400	(172)	-
Total – Communities	19,272	18,605	(667)	400	(267)	-

*Reflects non re-current savings

ii. Key Variances

Customer Services

Customer Services is currently projecting an underspend of -£0.095M as follows:-

- Customer Services Management (£0.095M) – This underspend is largely associated with a 2016/17 saving delivered in advance. This to some degree in the current financial year may well be used to support the ongoing implementation of the Customer Service Organisation (CSO) project.

Safer, Stronger & Healthier Communities

The Business Unit is currently projecting an underspend of -£0.172M after earmarkings as follows:-

- Safer, Stronger and Healthier Communities (-£0.084M) – This underspend is associated with part year vacancies resulting from the time taken to fully recruit to all the positions in the newly formed structure under Future Council. This is a non-recurrent under spend.
- Volunteering and Engagement (-£0.110M) – This underspend represents an over achievement of savings against the Advocacy/Prevention savings target of £0.070M, which will be used to contribute towards the savings targets for the Business Unit in 2016/17; and a one off underspend of -£0.040M relating to a prior year adjustment.
- Think Family (0.000M) – This position reflects the longer term nature of the programme and funding which is linked to a multiyear financial forecast and for which any unutilised resources (currently forecast £0.4M) will be earmarked and carried forward into future financial years for the ongoing delivery of the Think Family programme.

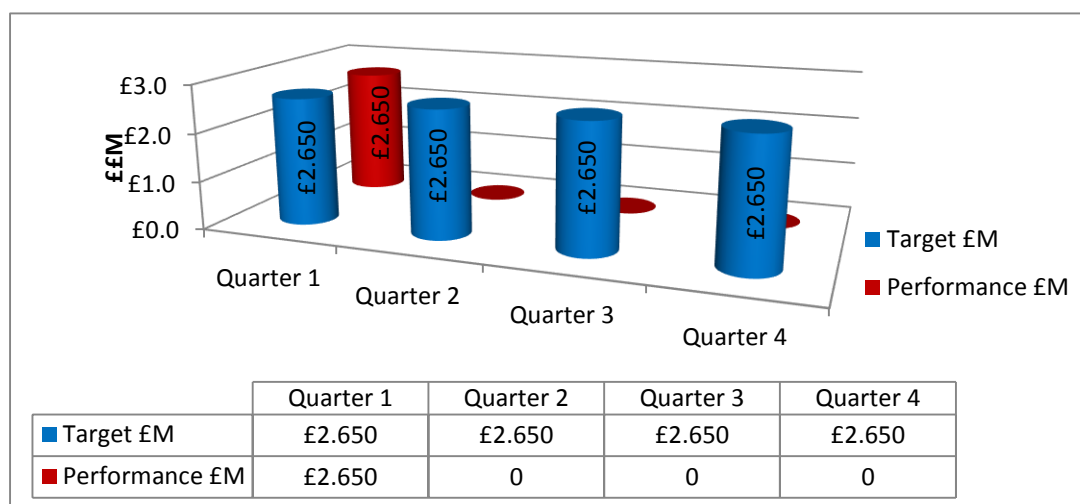
Directorate Position – Budget v Actual (FYE)



iii. Approved Savings

The Directorate has total approved savings of £2.650M to deliver in 2015/16. These have all been delivered in full.

Forecast Efficiency – Performance v Target



iv. Corrective Action

There are no major corrective actions required in relation to the financial forecasts for the current financial year.

The Directorate is currently reviewing progress against the savings target position for 2016/17 to consider the level of risk in relation to the schemes referenced above and to consider how they will balance within the resource envelope available.

v. Future Outlook

There are no adverse issues within the Directorate that will impact on the future year financial position. None of the under spends highlighted above will be recurrent in future financial years as they are either one off in nature or represent existing saving targets.

There is an expectation that the 2016/17 approved savings will be delivered, however a number of schemes are still being worked through and have some risks associated with them:-

- Further Contract Review Savings £0.375M – the specific details of how this saving will be delivered is still being considered by the service.
- Independent Living at Home (ILAH) Trading Surplus £0.200M – the ILAH company is in its first year of trading and the extent to which a significant surplus can be delivered will be dependent upon the level of sales and new customers generated throughout this and the following year. Detailed monitoring will be undertaken throughout the year and revised positions reported in subsequent reports.

SECTION 4 - Executive Director's Statement For Public Health

Executive Director's Statement

i. Overview

The total net budget for the Directorate is £4.2M, which represents the carry forward balance from 2015/16 with the main Public Health spend being net nil, fully funded from Public Health grant. Total forecast net expenditure is £1.9M resulting in a net forecast under spend before earmarkings of £2.250M. This amount will be proposed for earmarking as it is fully committed against future year requirements, resulting in an operational balanced position for the year.

Quarter 1 Position to the end of the quarter ending June 2015

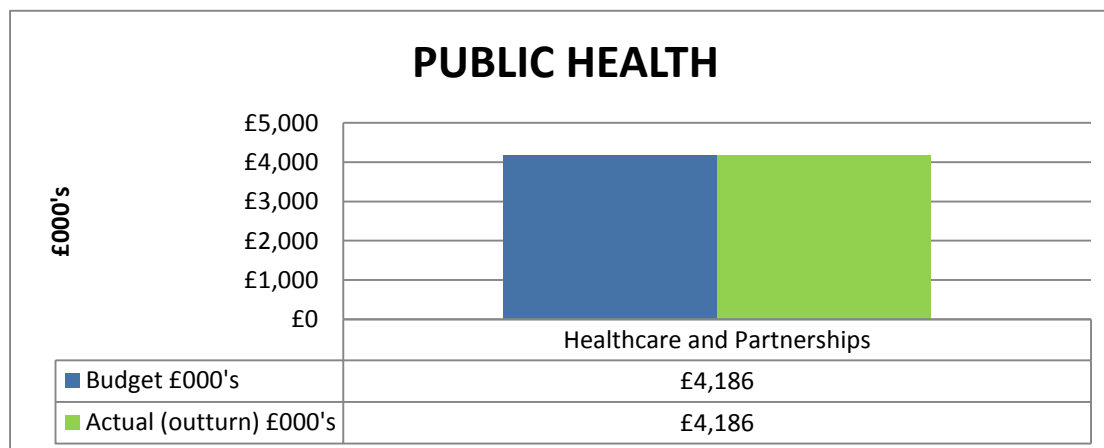
DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) £'000
Healthcare & Partnerships	4,186	(1,936)	(2,250)	2,250	-	-
	4,186	(1,936)	(2,250)	2,250	-	-

ii. Key Variances

As set out above there is a forecast under spend of £2.250M for the current year, however this is a planned under spend as part of the Public Health 4 year plan and is required to be carried forward into future years to meet existing spend commitments.

The service will also be given responsibility and specific funding for the provision of 0-5 services from October and is currently in the process of tendering these services along with other 5-19 services to create a single 0-19 service contract. There is some uncertainty over the future year funding levels for the 0-5 provision; however the service is currently considering options for funding the whole 0-19 service provision and is likely to take a prudent approach when determining the final resource envelope.

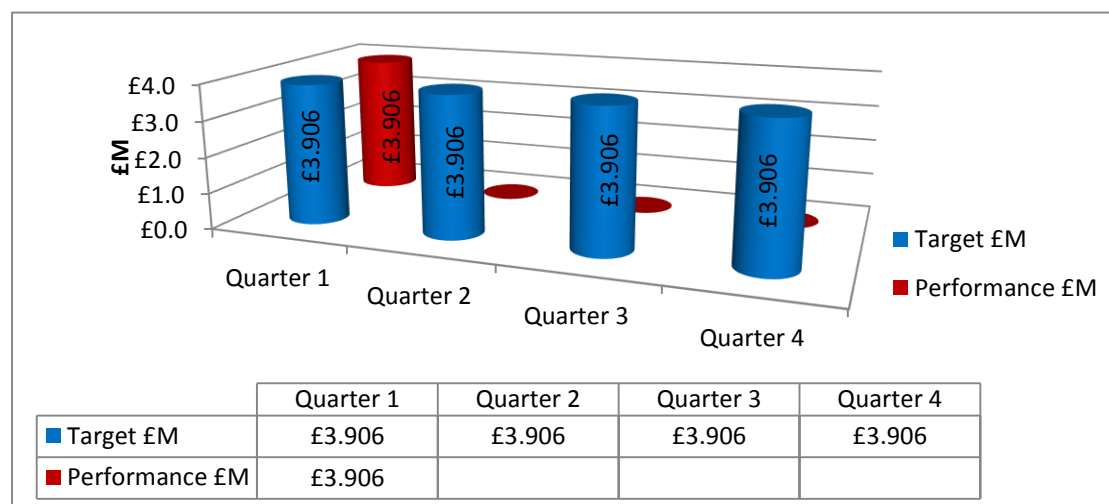
Directorate Position – Budget v Actual



iii. Approved Savings

The Directorate has total approved savings of £3.906M to deliver in 2015/16. These have all been delivered in full.

Forecast Efficiency – Performance v Target



iv. Corrective Action

There are no current major corrective actions required in relation to the financial forecasts for the current financial year.

v. Future Outlook

The current 4 year plan has a funding gap of £0.295M in 2017/18 rising to £1.218M in 2018/19 based on current funding and expenditure levels. The service is fully aware of the gap and is considering how this might be addressed across all service areas funded through Public Health grant.

In addition, the Government recently announced a national Public Health funding reduction of £200M and provided indicative projections for Barnsley of an ongoing cut of upto £1.2M pa. Although the Government are still consulting on the cut, the indicative amounts have been reflected in the updated reserves position.

SECTION 5 - Director's Statement For Legal and Governance

Director's Statement

i. Overview

The total net budget for the Directorate is £3.2M. Total forecast net expenditure is £3.2M resulting in a forecast balanced position for the year.

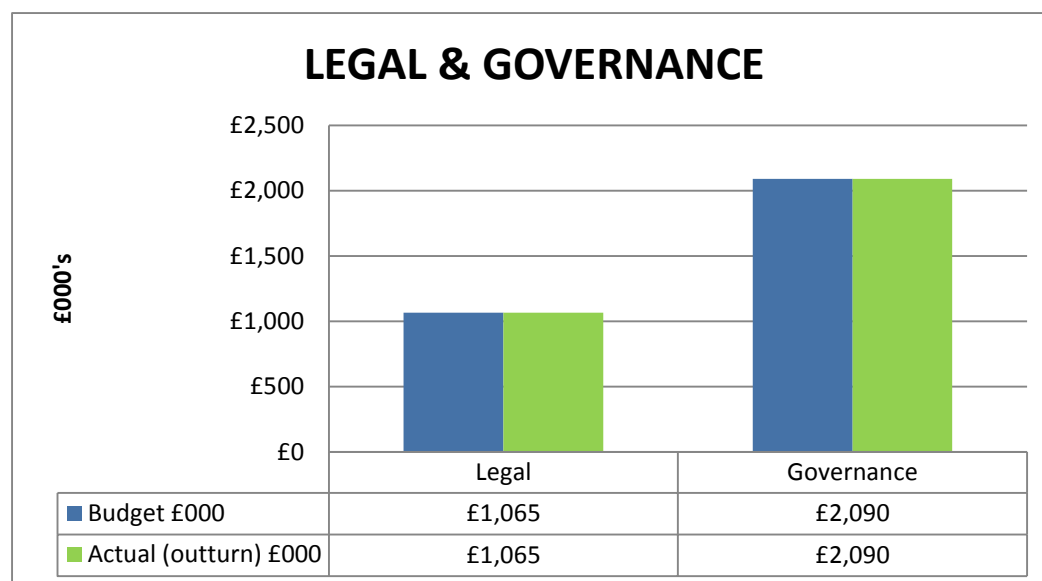
Quarter 1 Position to the end of the quarter ending June 2015

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) £'000
Legal Services	1,065	1,065	-	-	-	-
Council Governance	2,090	2,090	-	-	-	-
Total – Legal	3,155	3,155	-	-	-	-

ii. Key Variances

There are no major variances expected across the Directorate at this point in time.

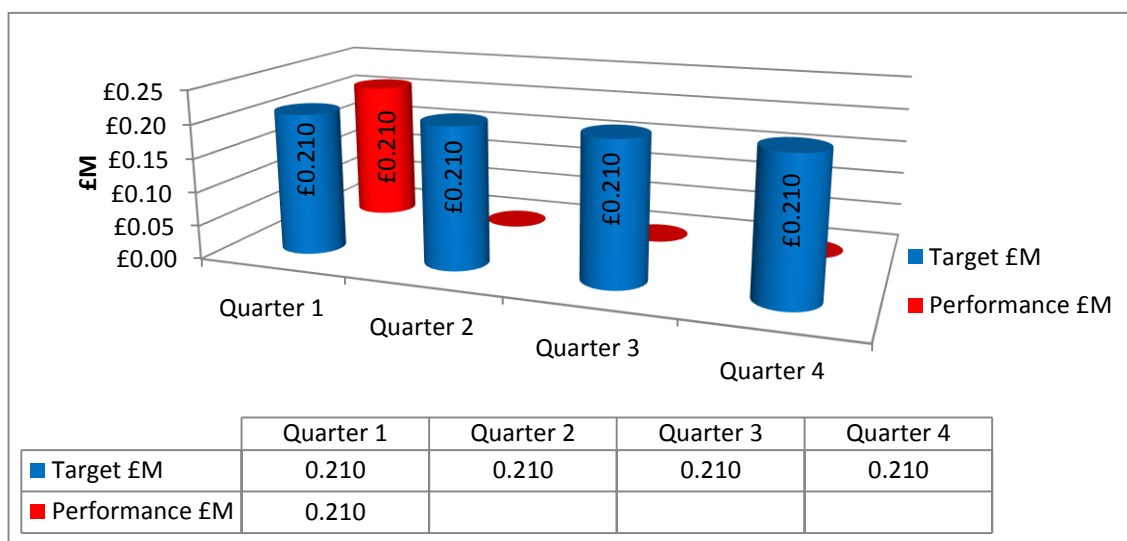
Directorate Position – Budget v Actual



iii. Approved Savings

The Directorate has total approved savings of £0.210M to deliver in 2015/16. This saving is on currently on target to deliver in full though is dependent on current forecast income levels being maintained.

Forecast Efficiency – Performance v Target



iv. Corrective Action

There are no major corrective actions required in relation to the financial forecasts for the current financial year.

v. Future Outlook

There are no adverse issues within the Directorate that will have an impact on the future financial position.

There are no 2016/17 approved savings to be delivered.

SECTION 6 - Director's Statement For Finance, Assets & IT

Director's Statement

i. Overview

The total net budget for the Directorate is £16.202M. Total forecast net expenditure is £16.162M resulting in a minor forecast under spend of £0.040M for the year. This is non-recurrent so the FYE position for the Directorate is break-even.

Quarter 1 Position to the end of the quarter ending June 2015

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustmen t for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) * £'000
Assets	3,541	3,541	-	-	-	-
Information Technology	8,305	8,305	-	-	-	-
Finance	4,021	4,021	-	-	-	-
Procurement	335	295	(40)	-	(40)	-
Total – Finance	16,202	16,162	(40)	-	(40)	

*Reflects non re-current savings

ii. Key Variances

There are no major variances expected across the Directorate at this point in time. The minor under spend of £0.040M is in relation to delays in recruitment to posts within the Commissioning, Procurement and Contract Management section.

A significant change this year has been the transfer of Tuscan Connects Limited (TCL) back into the Council. This company provided IT services to the Council under contract but from July, the staff TUPE'd back into the Council and the services will be delivered in house. IT services traded to schools will be traded through the BMBC Services Limited Local Authority Trading Company under the brand of 'Code Green'.

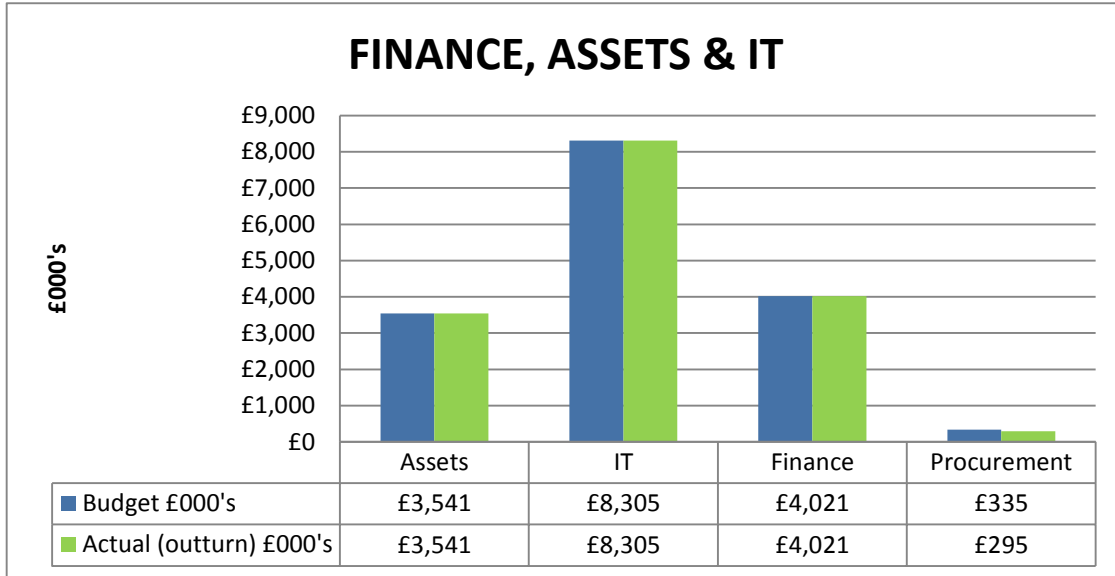
In addition to IT services being traded through BMBC Services Limited, Financial Services are also trading services to schools and other organisations through this company.

Both services are currently forecasting small profits through the company for 2015/16 as follows:

- Code Green (IT Services) £78,000
- Financial Services £19,000

This profit is not currently factored into the Directorate Outturn position. Detailed financial forecast reports will be presented to the Company Board throughout the year.

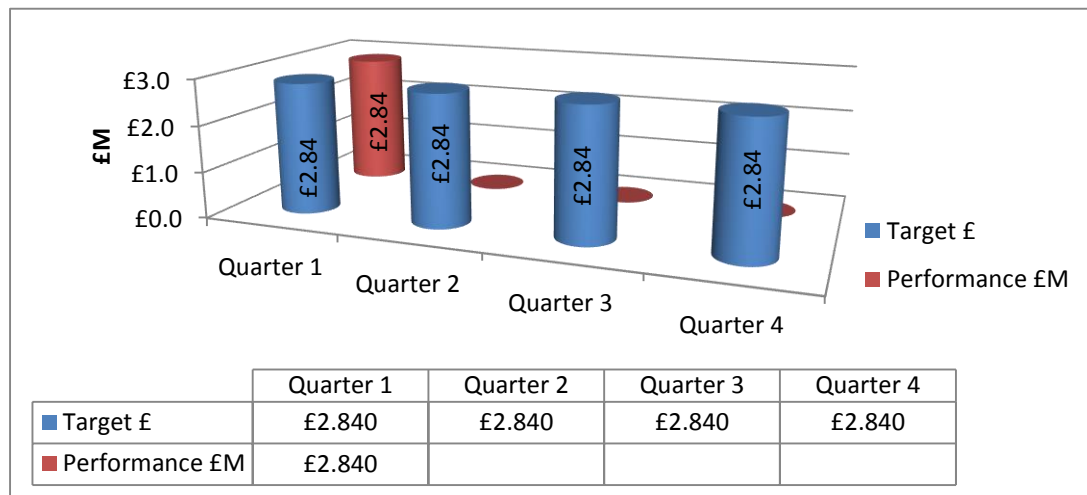
Directorate Position – Budget v Actual



iii. Approved Savings

The Directorate had total approved savings of £2.840M to deliver in 2015/16. These have either all been delivered in full or are on target to be delivered by the end of 2015/16.

Forecast Efficiency – Performance v Target



iv. Corrective Action

There are currently no major corrective actions required in relation to the financial forecasts for the current financial year.

The Directorate is currently reviewing progress against the approved savings target position for 2016/17 to ensure delivery against target.

v. Future Outlook

There are no adverse issues within the Directorate that will impact on the future year financial position.

There are significant further savings to be delivered in 2016/17 totalling £2.745M. It is currently expected that these will be delivered.

There is a risk that the current transfer of housing benefit functions to the DWP will have a financial impact in the future with a potential reduction in grant funding for administration of the scheme that is in effect used to fund the whole Benefits and Taxation team, not just the administration of housing benefit.

SECTION 7 - Director's Statement For HR, Performance and Communication

Director's Statement

i. Overview

The total net budget for the Directorate is £6.3M. Total forecast net expenditure is £6.3M resulting in a forecast balanced position for the year.

Quarter 1 Position to the end of the quarter ending June 2015

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) £'000
Human Resources	3,191	3,191	-	-	-	-
Performance	2,633	2,633	-	-	-	-
Communications	542	542	-	-	-	-
Total - HR	6,366	6,366	-	-	-	-

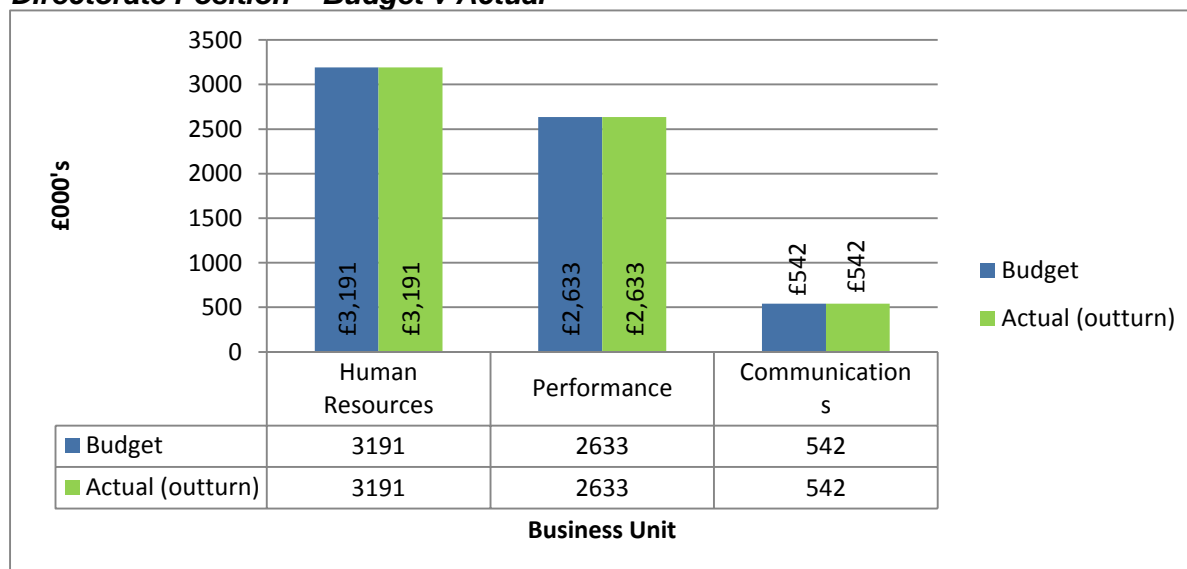
ii. Key Variances

There are no major variances expected across the Directorate at this point in time.

Human Resources are trading services to schools and other organisations through the BMBC Services Limited Local Authority Trading Company. They are currently forecasting a small profit for 2015/16 of £9,700 and are seeking to grow the business where possible throughout the year. This profit is not currently factored into the above outturn.

Detailed financial forecast reports will be presented to the Company Board throughout the year

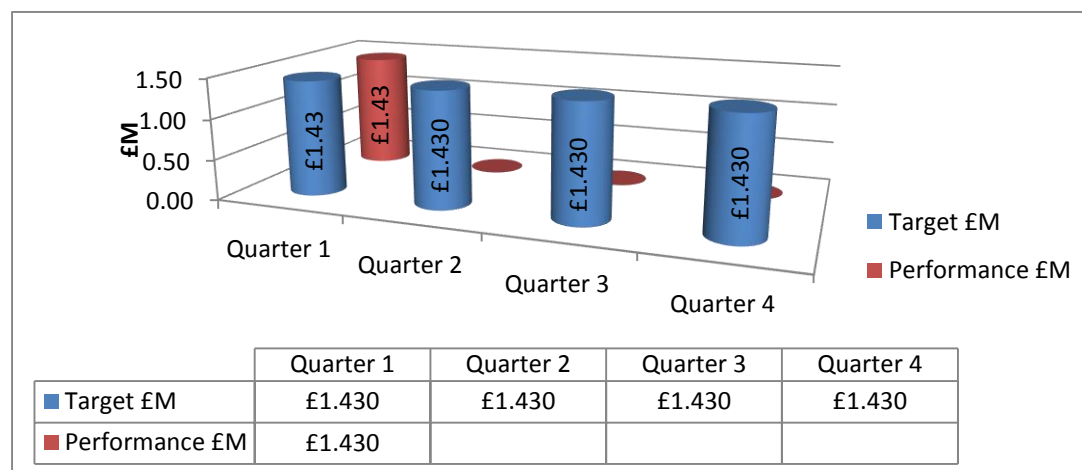
Directorate Position – Budget v Actual



iii. Approved Savings

The Directorate had total approved savings of £1.430M to deliver in 2015/16. These have all been delivered in full.

Forecast Efficiency – Performance v Target



iii. Corrective Action

There are no major corrective actions required in relation to the financial forecasts for the current financial year.

iv. Future Outlook

There are no adverse issues within the Directorate that will impact on the future year financial position.

There is an expectation that the 2016/17 approved savings will be delivered in full.

SECTION 8 - Commentary on Corporate/ Authority Wide Budgets

i. Overview

The total net budget for Corporate items is £21.7m broken down as follows:-

Quarter 1 Position to the end of the quarter ending June 2015

BUDGET	Approved Net Budget 2015/16 (after Virements)	Projected Net Outturn 2015/16	Forecast Deficit / Surplus (-)	Adjustment for Slippage, Grant balances & Transfer to reserves £'000	Operational Deficit / Surplus (-)	FYE (16/17)
	£'000	£'000	£'000		£'000	£'000
Capital Financing	24,658	24,658	-	-	-	-
CDC	766	766	-	-	-	-
Levies	631	631	-	-	-	-
Corporate Items	(2,756)	(2,756)	-	-	-	-
Provisions	23,374	23,374	-	-	-	-
Contributions from Balances	(24,945)	(30,545)	(5,600)	5,600	-	-
Total – Corporate Budgets	21,727	16,127	(5,600)	5,600	-	-

ii. Key Variances

Capital Financing

It is currently forecast that the Capital Financing outturn will be a balanced position against budget. Extensive work is currently being undertaken to identify savings within the budget for 2015/16 and future years. This will be a combination of identifying savings from:

- Ongoing treasury management activity in relation to reducing capital financing costs by taking advantage of record low interest rate levels and maximising returns. However, a note of caution should be made around the ability of the Council to make the level of savings that have been achieved in previous years bearing in mind interest rates are likely to rise in the near future; and
- More in-depth reviews specifically in relation to refinancing debt relating to the BSF schools scheme and a review of the way the Council pays off its loans (via the Minimum Revenue Provision).

Other One-off Corporate Items & Grants

The Council set its 2015/16 budget including a contribution of £4.5M to reserves to reflect the anticipated over delivery of savings in 2015/16. This has been set aside to offset any prospective budget issues in 2015/16 and 2016/17 and where these do not materialise, can therefore be used to improve the Authority's reserves position.

The Government have also announced details for the award of New Homes Bonus of £5.6m for 2015/16. This will be transferred to strategic reserves. An updated reserves position is shown in the Overview Report and a more detailed review of the Reserves strategy will be submitted after the Autumn Statement has been released.

Bad Debts Strategy

The Financial Services Business Unit has brought together the Council's debt recovery functions with a view to fundamentally re-designing the way the Authority approaches debt recovery. The consolidated debt recovery service includes Council Tax, Business Rates, Housing Benefit Overpayments and Trade Debt.

To ensure the Council adopts a more strategic and commercial approach to collecting and recovering its debts the following actions are being taken:

- Contacting customers early (prior to formal reminders) by phone or automated text messages to improve collection rates and reduce the likelihood of people falling into arrears / the formal debt process;
- Creation and distribution of a debt video that is due to be sent to all our customers;
- Channel shift / targeted campaigns to encourage Direct Debit take up;
- A more detailed review of absconders, using our partner agencies to enrich our data;
- Analysis of the debt portfolio and the debtors propensity to pay;
- Segmenting the debt by customer;
- Review of our write off processes;
- Improved contact strategy to be bring practices more in line with commercial enforcement agencies e.g. increasing the number of ways of making initial customer contact (primarily by telephone, letter and visits) and exploring the potential for committal and charging orders; and
- Refined processes within the court process to improve the customer journey and ensure arrangements and attachments are made to further improve collection.

The current overall debt position of the Council stands at £33.3M. This position is constantly moving as the debts move through the various stages of recovery and in light of the uncertain economic situation. The current debt position includes some historic debt and it is therefore good financial management to provide for non-recovery of some of these debts. The current provision for bad debts stands at £11.8M. The Director of Finance, Assets and Information Services is now seeking approval to write off some of the historic debt which has become uneconomical to pursue. This is summarised in the table below.

Type of Debt	Pre 2015/16 Arrears as at 30 th June £M	2015/16 Arrears as at 30 th June £M	Total Arrears as at 30 th June £M	Bad Debt Provision * £M	Write Offs For Approval £
Council Tax	11.496	0.975	12.471	8.019	955,952
Business Rates	1.731	3.340	5.071	1.826	Nil
Trade Debt General Fund	6.263	9.261	15.524	1.752	146,324
Trade Debt HRA	0.225	0.010	0.235	0.176	7,145
TOTAL	19.715	13.586	33.301	11.773	1,109,421

* provision reviewed annually

iii. Corrective Action

The reserves strategy will be reviewed when the Autumn Statement has been released in late November.

iv. Future Outlook

The balances and reserves position will be impacted by the changes to the revenue monitoring position and an updated position will be reported to Cabinet following the Autumn Statement.

Item 8

BARNSELEY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Director of
Finance, Assets and
Information Services

CAPITAL PROGRAMME PERFORMANCE – QUARTER ENDING 30 JUNE 2015

1. Purpose of the Report

- 1.1. To consider the financial performance of the Council's Capital Programme during the quarter ended June 2015 and assess the implications against the Council's Medium Term Financial Strategy (MTFS) and reserves strategies. The key headlines are:-
- The position of the Council's Capital Programme for the 2015/16 financial year is currently projected to be an overall lower than approved planned spend of £1.478M;
 - The position of the Council's Capital Programme over the five year period to 2019/20 is currently projected to be a lower than approved planned spend of £0.588M; and
 - The formulation of a Capital Programme 'Oversight' Board charged with effective management of the capital programme.

2. Recommendations

It is recommended that Cabinet:

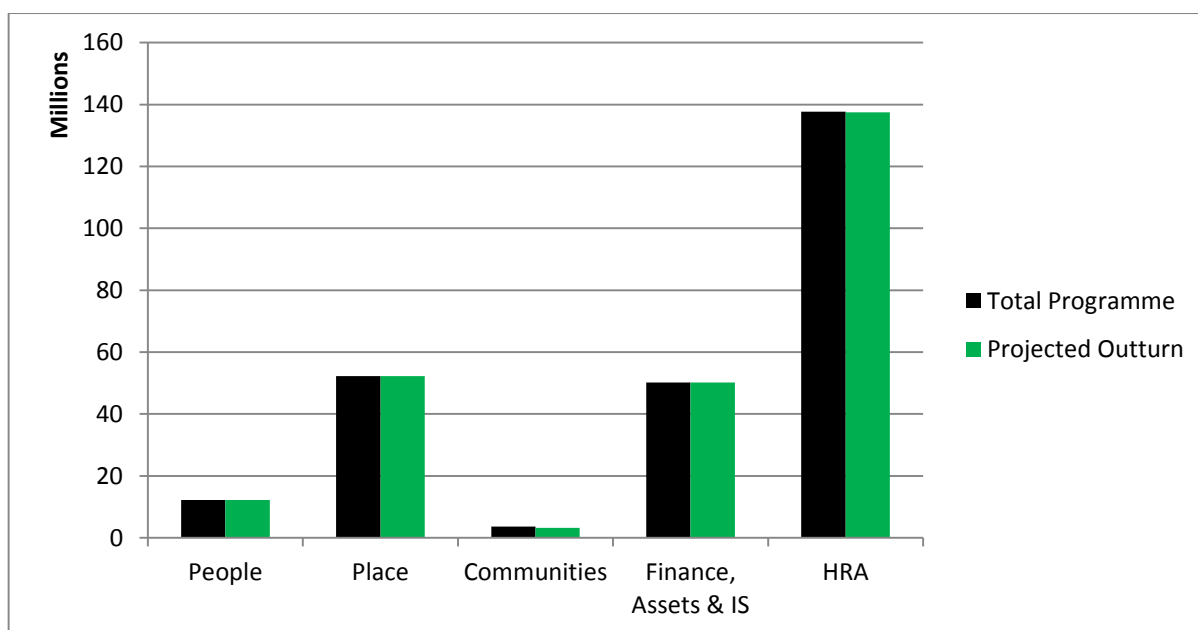
- Note both the 2015/16 and overall five year Capital Programme positions;
- Approve the minor variations to scheme costs within the programme, highlighted within Appendix A, that are fully funded, totalling £0.310M (paragraph 3.4. and Appendix A refers); and
- Note the role of the new Capital Programme 'Oversight' Board to manage the capital programme more effectively.

3. Overall Authority Capital Programme Position

- 3.1. The Council's capital programme is planned over the five year period for 2015/16 through 2019/20 inclusive.
- 3.2. The table below shows the total capital programme plans within each respective Directorate, together with a projected outturn position relating to that five year period. Appendix A shows detailed plans / outturn per scheme under each respective Directorate.

<u>Directorate</u>	Total Capital Programme £M	Total Projected Outturn £M	Overall Variance Within Programme £M
People	12.221	12.225	0.004
Place	52.272	52.295	0.023
Communities	3.629	3.174	(0.455)
Finance, Assets & IS	50.136	50.136	-
HRA	137.650	137.490	(0.160)
Total	255.908	255.320	(0.588)

- 3.3. There is currently a £0.588M reduction in planned expenditure across the Council's capital programme, predominately due to historic schemes within the Communities Directorate that have been superseded by new projects.
- 3.4. Over and above the £0.588M outlined in paragraph 3.3. is a net increase of £0.310M relating to minor variations in costs across a number of major schemes within the HRA. There are no funding implications on the overall capital programme as a result, as these variations have been supported within the resource envelope / contingency plans already included as part of the approved HRA capital programme. The specific schemes and variation amounts are highlighted in Appendix A to this report.
- 3.5. The chart below is a graphical representation of the table above.

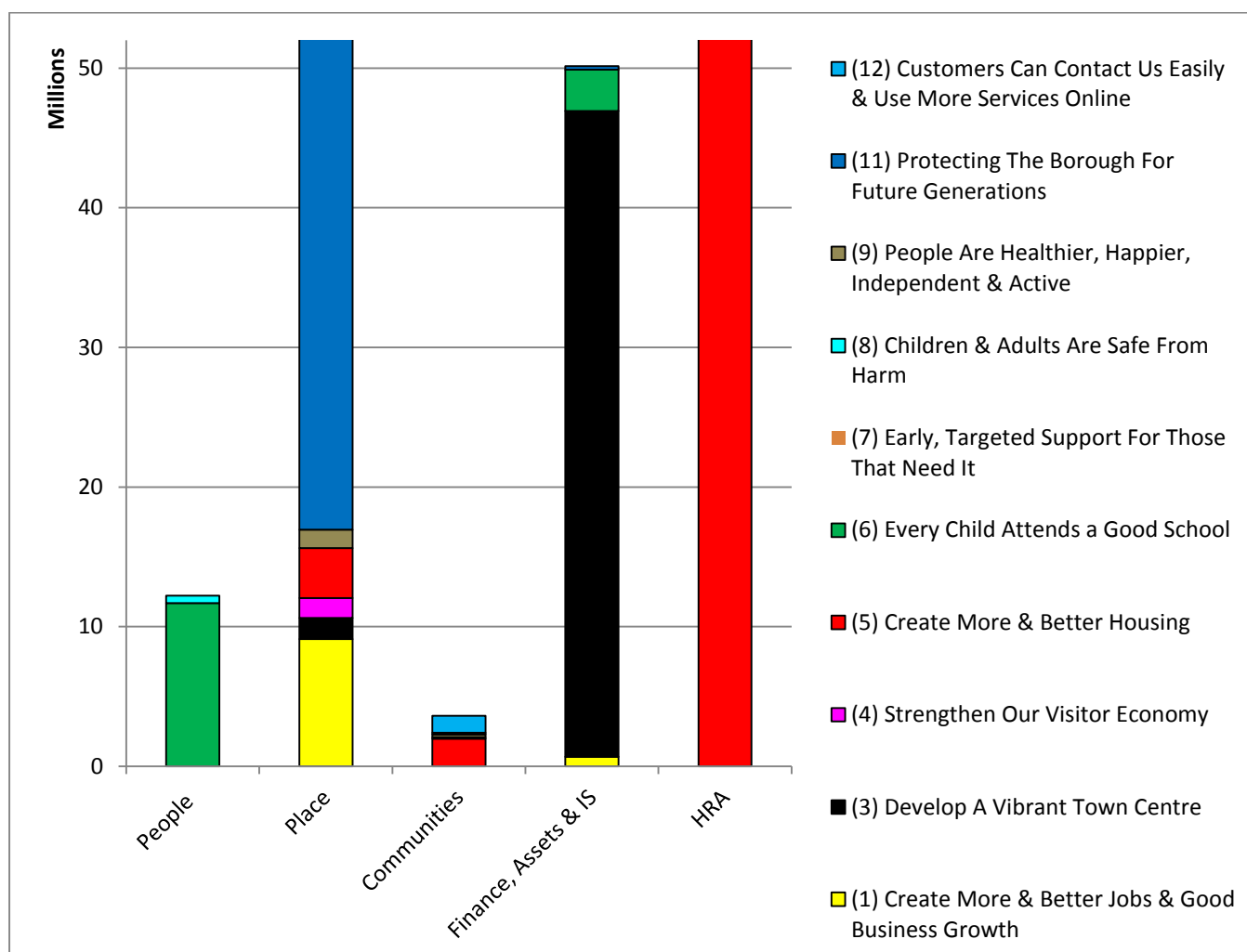


4. The Council's Corporate Priorities

- 4.1. The table below provides an analysis of the capital plans within the Council's five year capital programme, identifying the capital resources that are aligned to achieving the Council's Corporate Priorities. Any performance issues arising from the capital schemes assigned to each priority is discussed within the Corporate Performance Report.

<u>Corporate Priority</u>	Total Capital Programme (2015/16 – 2019/20) £M
(1) Create More & Better Jobs & Good Business Growth	9.806
(2) Increase Skills To Get More People Working	-
(3) Develop A Vibrant Town Centre	47.749
(4) Strengthen Our Visitor Economy	1.437
(5) Create More & Better Housing	143.214
(6) Every Child Attends a Good School	14.635
(7) Early, Targeted Support For Those That Need It	0.003
(8) Children & Adults Are Safe From Harm	0.631
(9) People Are Healthier, Happier, Independent & Active	1.512
(10) People Volunteering & Contributing Towards Stronger Communities	-
(11) Protecting The Borough For Future Generations	35.701
(12) Customers Can Contact Us Easily & Use More Services Online	1.220
(13) Corporate Health – One Council	-
Total	255.908

- 4.2. Appendix B to this report shows the breakdown of each scheme aligned to which Corporate Priority each one contributes towards achieving.
- 4.3. The graph below provides an analysis of the capital plans within each of the Directorate's five year capital programme, identifying which of the Council's Corporate Priorities they are contributing towards.



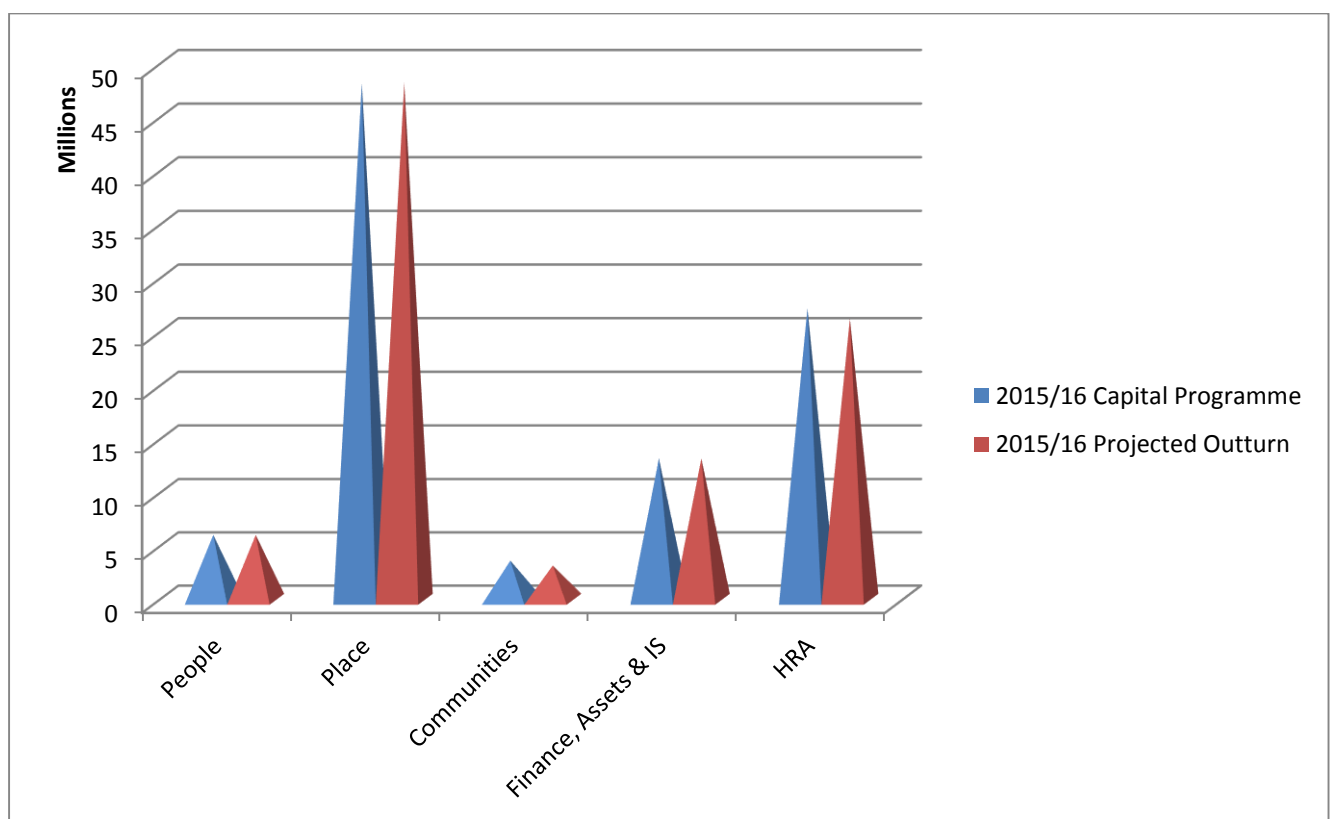
5. 2015/16 Overall Authority Position for the Quarter Ending June 2015

- 5.1. The table below shows the 2015/16 capital programme plans; actual expenditure incurred to 30th June and forecast outturn position, together with a variance between plans and outturn per Directorate.

<u>Directorate</u>	2015/16 Capital Programme £M	Actuals to June 2015 £M	Projected Outturn 2015/16 £M	2015/16 Variance £M
People	6.041	0.293	6.045	0.004
Place	48.196	2.267	48.219	0.023
Communities	3.629	0.245	3.174	(0.455)
Finance, Assets & IS	13.213	0.965	13.213	-
HRA	27.216	2.874	26.166	(1.050)
Total	98.295	6.644	96.817	(1.478)

- 5.2. Overall, the 2015/16 position is currently projected as a reduction in expenditure compared to approved plans totalling £1.478M, predominately within the HRA and Communities directorates respectively.

- 5.3. Of the reduction in expenditure against approved plans, -£0.890M relates to scheme re-phasing (where schemes are due to complete in a different financial year to the year in which it originally planned due to actions of project leads). There are no implications in terms of the overall capital programme.
- 5.4. The remaining -£0.588M relates to an overall reduction in planned expenditure across the Council's capital programme on a number of schemes due to variation in scheme costs (see overall position in Section 3 above).
- 5.5. At this reporting period, there is no scheme slippage (where schemes are due to complete in later years due to circumstances out of the project lead's control).
- 5.6. Appendix A shows the variance on each individual scheme. Significant variations per Directorate / Business Unit are shown in the respective sections within the main body of the report.
- 5.7. The chart below is a graphical representation of the table above.



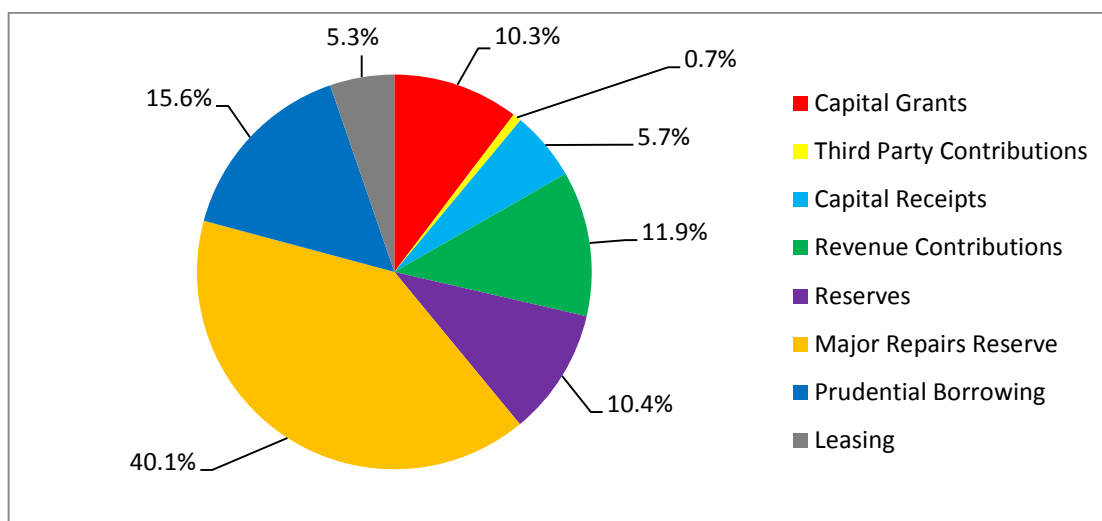
6. The Authority's Capital Programme Funding Position

6.1. The Council's capital programme is funded from a range of sources. The table below shows the resources allocated to capital plans for the Council's five year capital programme.

<u>Funding Source</u>	2015/16 Funding £M	2016/17 Funding £M	2017/18 Funding £M	Later Years £M	Totals £M
Capital Grants	20.172	3.138	3.116	-	26.426
Third Party Contributions (Inc. S106)	1.811	0.007	-	-	1.818
Capital Receipts	9.998	2.465	0.676	1.391	14.530
Revenue Contributions	6.707	23.740	-	-	30.447
Reserves *	2.654	0.050	20.446	3.504	26.654
Major Repairs Reserve	19.254	21.346	20.201	41.943	102.744
Prudential Borrowing	24.206	15.590	-	-	39.796
Leasing	13.493	-	-	-	13.493
Total	98.295	66.336	44.439	46.838	255.908

* Please note, as per the reserves strategy, £1.9M of this funding has yet to materialise. Please refer to Section 9 for further detail.

6.2. The pie chart below is a graphical representation of the table above.

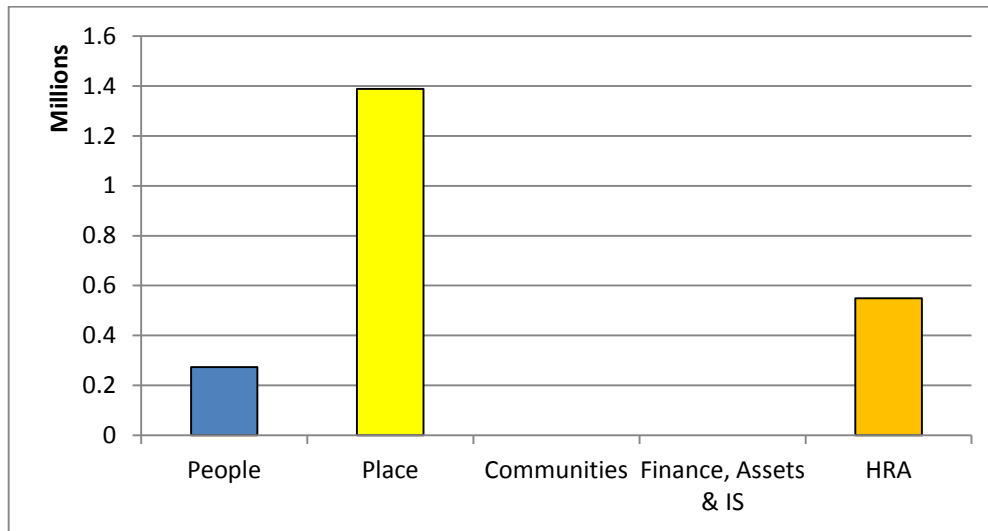


7. Unallocated Resources

7.1. There is a balance of resources, over and above the funding identified within Section 6 above, totalling £2.211M. This balance predominantly consists of £1.310M Section 106 monies, £0.549M HRA Revenue Contributions and £0.149M of Devolved Capital Grant.

7.2. These resources have not yet been allocated to specific schemes within the programme and represent monies yet to be allocated. Such funding is restricted to certain types of scheme by virtue of the restrictions / conditions applied to the funding.

7.3. The split of unallocated resources per respective Directorate is shown below.



8. **Capital Programme 'Oversight' Board**

- 8.1. A new Capital Programme 'Oversight' Board will be set up shortly to have oversight for the performance management of the Council's capital programme including Sheffield City Region schemes where the Council is the lead Authority (including reporting to Cabinet);
- 8.2. Led by the Executive Director for Place, the purpose of the Board will be to review, challenge and improve:
 - The processes for identifying and approving scheme priorities (to include identifying return on investment, how scheme priorities are identified and ranked, stakeholder consultation, reporting routes and timeframes with the current budget process); and
 - The performance management arrangements relating to the capital programme (to include capturing, tracking and reporting on: key project milestones, key outcomes & linkages to corporate performance monitoring / KPI's, financial performance including return on investment).

9. **Reserves Strategy**

- 9.1. The position reported to Cabinet in December 2014 showed that banked capital reserves were over-subscribed by £3.4M. This has improved by £1.5M as a result of additional asset disposal income realised since the original reserves strategy. This still leaves a shortfall in capital resources against agreed investment of £1.9M.

CONTENTS

SECTIONS

1. People – Executive Director's Report
2. Place – Executive Director's Report
3. Communities – Executive Director's Report
4. Finance, Assets & IS – Director's Report
5. Housing Revenue Account - Report

APPENDICES

- A. Capital Programme – Planned Payments vs. Projected Outturn – Per Directorate / Business Unit
- B. Capital Programme – Planned Payments vs. Projected Outturn – Per Corporate Priority

SECTION 1 – EXECUTIVE DIRECTOR’S STATEMENT FOR PEOPLE

1. Major Schemes

1.1. The major schemes that are incorporated within the People Directorate’s Capital Programme include:

1.2. **Wombwell Park Street Primary - Increase Admission Numbers (£1.100M)**

Increasing the admission number to 45 creates an additional 105 places in the Wombwell Area. The proposal is to build a new 3 classroom extension to the rear of the school with associated toilets and classrooms, ready for the start of the Autumn Term 2016. The extension will be fully life cycled and built using the same materials as the existing PFI school.

1.3. **Penistone St Johns Primary - Alterations for Bulge Classes (£0.720M)**

In order to meet the demand for places in the Town Centre of Penistone, the school was approached to take a bulge class. The school is split over two buildings an infant block, accessed from Chapel Field Lane, and a junior block, accessed from the High Street. The blocks are joined externally through the shared school playing field. The bulge class is an initial phase of works to meet pupil demands for September 2015. This work comprises an additional new build classroom and refurbishment of the adjoining classroom and toilet areas.

1.4. **Churchfields Primary - Increase Admission Numbers (£0.700M)**

In September 2012 the school increased their admission number from 40 to 50, through an extension and remodelling works. From September 2016, the school will increase their admission number again to 60. It is proposed to build a new 2 storey extension, with 2 classrooms (and associated cloaks and toilets) located on the first floor and resource rooms, storage on the ground floor. An external Multi Use Games Area (MUGA) will be provided under the classrooms to provide all weather covered play.

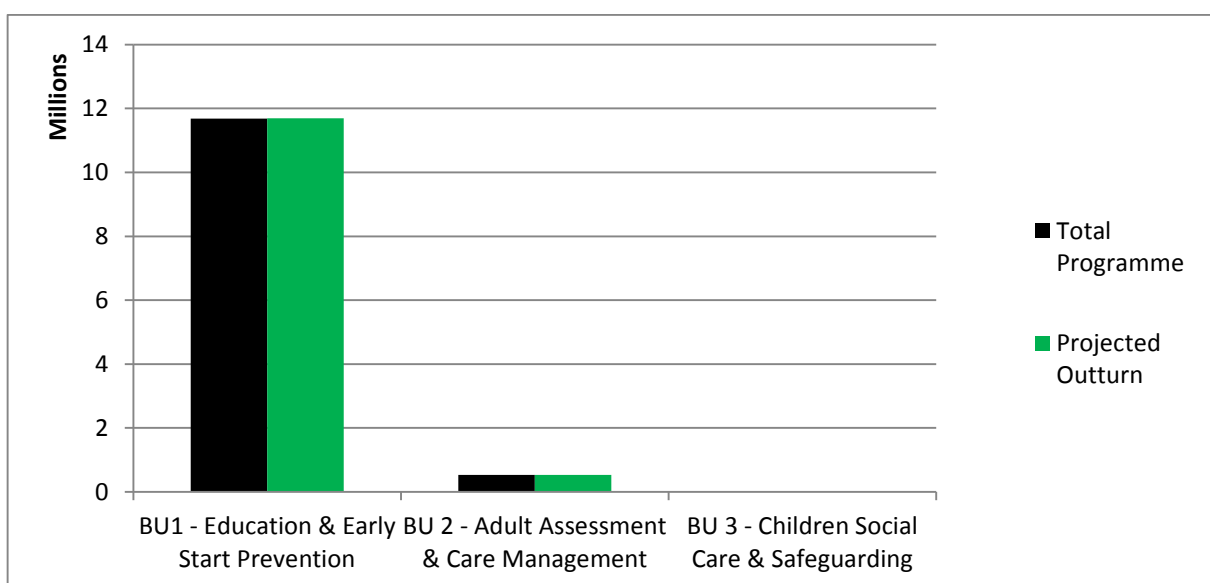
2. Overall People Capital Programme Position

2.1. Planned payments for the overall People Directorate total £12.221M with the projected outturn across the programme currently showing £12.225M.

2.2. The table below shows the overall position on the People Directorate Capital Programme for the 5 year period (2015/16 through 2019/20) per Business Unit. Appendix A to this report details the plans and outturn per individual scheme.

<u>Business Unit</u>	Total Capital Programme £M	Total Projected Outturn £M	Overall Variance Within Programme £M
BU1 – Education & Early Start Prevention	11.687	11.691	0.004
BU2 – Adult Assessment & Care Management	0.526	0.526	-
BU3 – Children Social Care & Safeguarding	0.008	0.008	-
Totals	12.221	12.225	0.004

2.3. The chart below is a graphical representation of the table above.

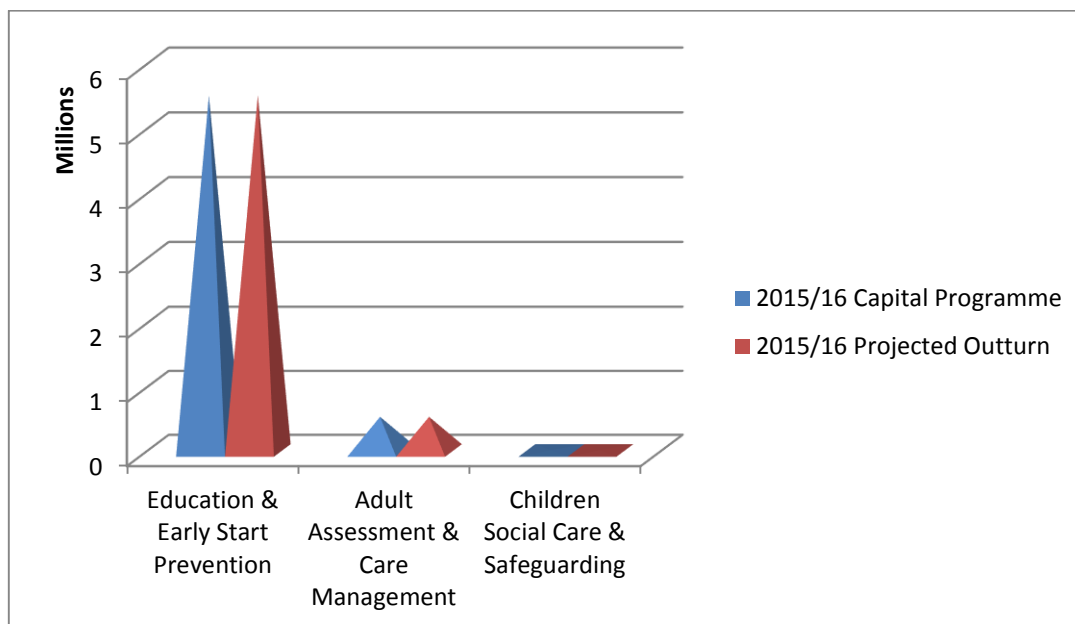


3. 2015/16 People Capital Programme Position

- 3.1. Planned payments for the overall People Directorate for 2015/16 total £6.041M with the projected outturn across the programme currently showing £6.045M.
- 3.2. The table below shows the position on the People Directorate Capital Programme for the 2015/16 financial year per Business Unit. Appendix A to this report details the plans and outturn per individual scheme.

<u>Business Unit</u>	2015/16 Capital Programme £M	Actuals to June 2015 £M	Projected Outturn 2015/16 £M	2015/16 Variance £M
Education & Early Start Prevention	5.506	0.293	5.510	0.004
Adult Assessment & Care Management	0.527	-	0.527	-
Children Social Care & Safeguarding	0.008	-	0.008	-
Totals	6.041	0.293	6.045	0.004

3.3. The chart below shows a graphical representation of the table above.



Overview:

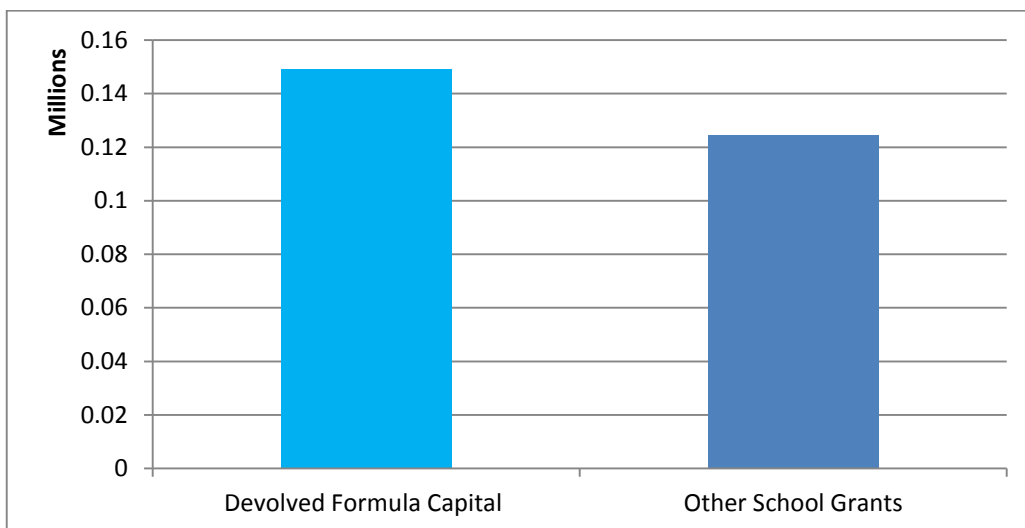
Both the overall position and 2015/16 position for the People Directorate is broadly in line with existing plans, currently showing an over commitment of resources of £0.004M.

The key variances are as follows:

- *Hunningley Primary School – Over commitment of £0.040M due to tender price being higher than expected.*
- *Summer Lane Primary School – Over commitment of £0.045M due to tender price being higher than expected.*
- *Richard Newman Primary School – Over commitment of £0.030M due to tender price being higher than expected.*
- *Penistone St Johns Primary School – Under commitment of £0.120M due to tender price being less than expected, combined with resolved VAT issue that now allows VAT to be claimable on VA Schools' spend.*

4. Unallocated Resources

- 4.1. The People Directorate has capital resources totalling £0.274M that has yet to be allocated to any specific scheme. The funding held is restricted to the expenditure it can be applied to by virtue of conditions attached to that funding.
- 4.2. The table below shows the resources available for future schemes, split between each type of funding. These balances are residual amounts from prior years' grant allocations.



Funding Implications:

The minor over commitment of funding over the period will be managed accordingly within available resources.

Also, included in the 2016/17 and 2017/18 programme are plans based on indicative grant allocations for those given years. Should these funding allocations change, then plans will be revised to reflect the reduced amount.

5. Future Outlook

Future Outlook:

All schemes continue to be monitored throughout the year to identify any significant variances that arise so that corrective action can be implemented.

6. Action Points

Action Points:

There are no action points at this stage.

SECTION 2 – EXECUTIVE DIRECTOR’S STATEMENT FOR PLACE

1. Major Schemes

- 1.1. The major schemes that are incorporated within the Place Directorate’s Capital Programme include:

1.2. **Waste PFI Scheme (£19.253M)**

This scheme is joint arrangement between Barnsley MBC, Doncaster MBC and Rotherham MBC involving construction of a new waste facility at Manvers, Rotherham.

1.3. **Goldthorpe Master Plan (£4.906M)**

In line with the Goldthorpe Masterplan, a new primary school is being developed in the village centre. The site was created by the clearance of older terraced housing; the building will provide an opportunity to create a new gateway feature for the entrance to this part of Goldthorpe. The scheme covers the cost of relocating the school, and developing the existing school site for retail purposes.

1.4. **Local Sustainable Transport Fund and Local Transport Plan (£4.895M)**

The Planned and LTP Maintenance elements relate to carriageway, footway, bridge, and traffic sign / signal maintenance, addressing local priorities. The LTP Integrated Transport Plan element deals with priorities set in the South Yorkshire Integrated Transport Plan such as road safety and accident reduction schemes, together with improvements to strategic transport routes. The LSTF element refers to the schemes within the successful bid to the Department for Transport (DfT) for funding under the title “A sustainable journey to work”, which aims to deliver better connectivity (public transport, walking and cycling) to key employment and educational sites.

1.5. **LED Street Lighting (£3.356M)**

This is the second of a three year programme designed to reduce the ongoing energy costs from street lighting, by replacing existing lanterns with LEDs.

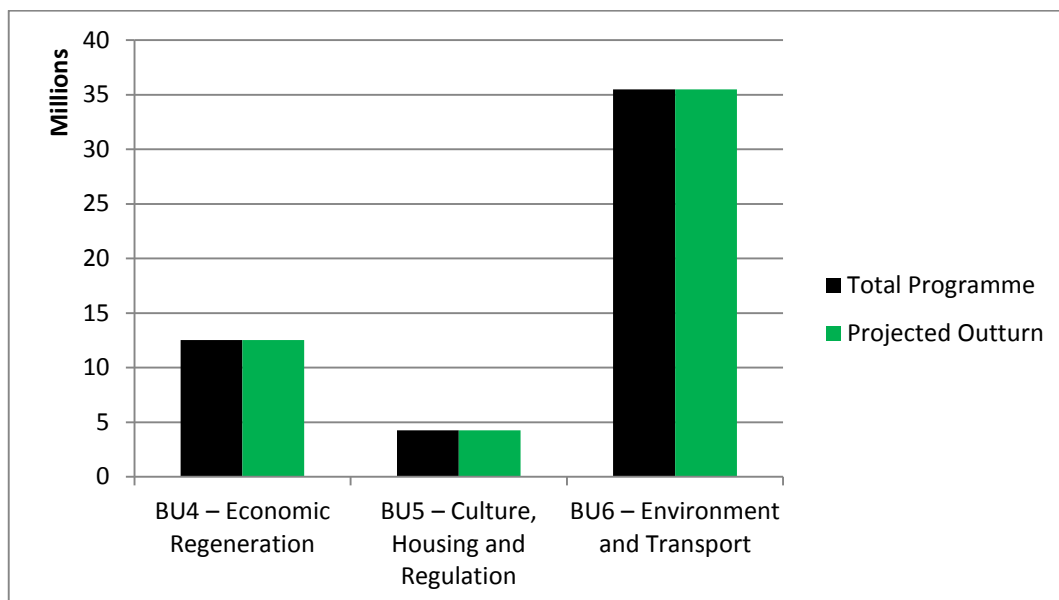
2. Overall Place Capital Programme Position

- 2.1. Planned payments for the overall Place Directorate total £52.272M with the projected outturn across the programme currently showing £52.295M.

- 2.2. The table below shows the overall position on the Place Directorate Capital Programme for the 5 year period (2015/16 through 2019/20) per Business Unit. Appendix A to this report details the plans and outturn per individual scheme.

<u>Business Unit</u>	Total Capital Programme £M	Total Projected Outturn £M	Overall Variance Within Programme £M
Economic Regeneration	12.532	12.532	-
Culture, Housing and Regulation	4.265	4.265	-
Environment and Transport	35.475	35.498	0.023
Totals	52.272	52.295	0.023

- 2.3. The chart below is a graphical representation of the table above.

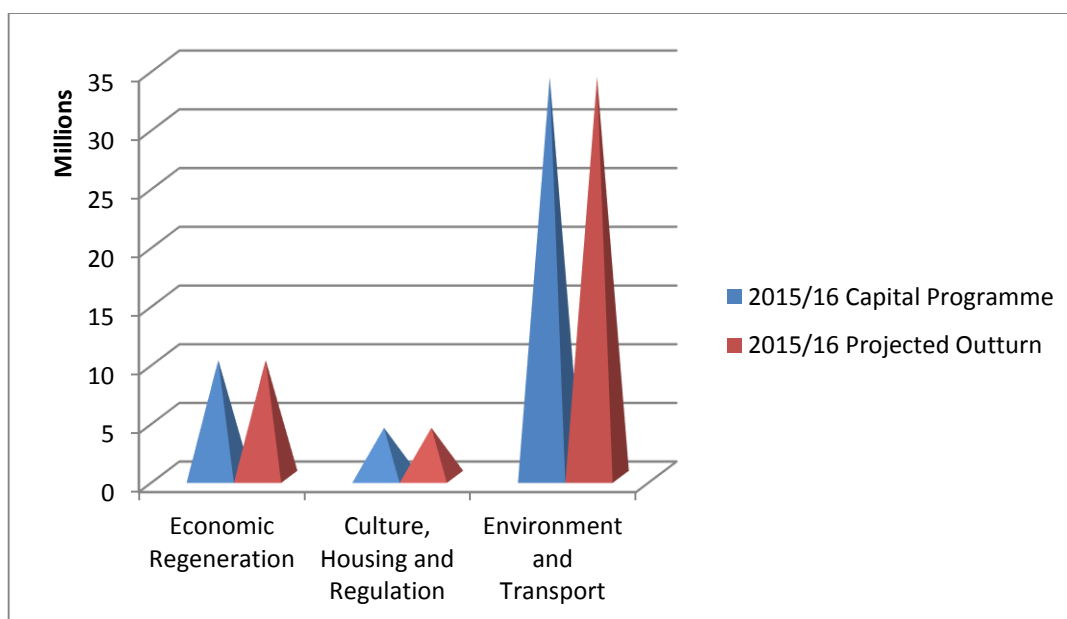


3. 2015/16 Place Capital Programme Position

- 3.1. Planned payments for the overall Place Directorate for 2015/16 total £48.196M with the projected outturn across the programme currently showing £48.219M.
- 3.2. The table below shows the position on the Place Directorate Capital Programme for the 2015/16 financial year per Business Unit. Appendix A to this report details the plans and outturn per individual scheme.

<u>Business Unit</u>	2015/16 Capital Programme	Actuals to June 2015	Projected Outturn 2015/16	2015/16 Variance
	£M	£M	£M	£M
Economic Regeneration	9.971	1.992	9.971	-
Culture, Housing and Regulation	4.182	0.196	4.182	-
Environment and Transport	34.043	0.079	34.066	0.023
Totals	48.196	2.267	48.219	0.023

- 3.3. The chart below shows a graphical representation of the table above.



Overview:

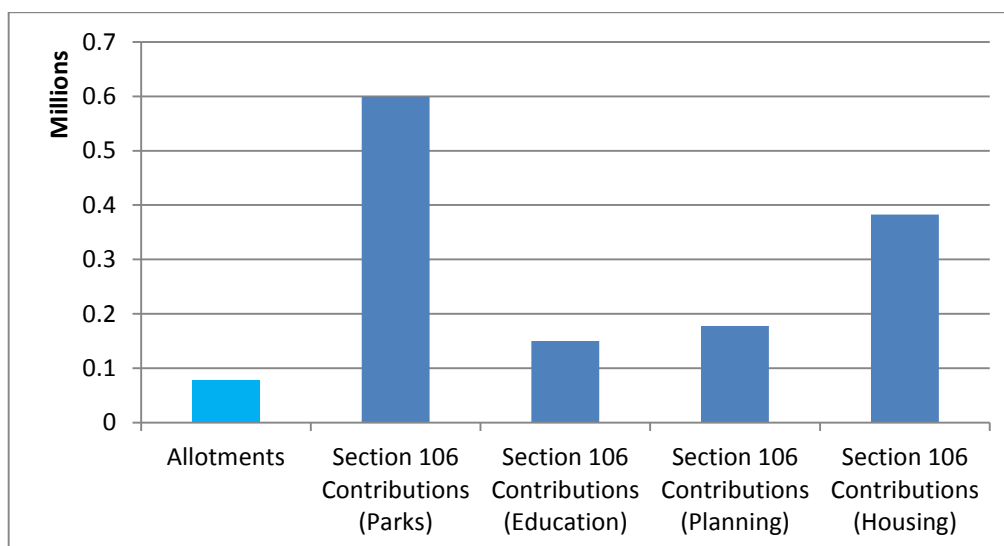
Both the overall position and 2015/16 position for the Place Directorate is broadly in line with existing plans, currently showing an over commitment of resources of £0.023M.

The key variance is as follows:

- *Waste PFI Capital Contribution Scheme – An over commitment of £0.023M relating to the Waste PFI Capital Scheme is shown, relating to the actual capital contribution being more than original plans anticipated.*

4. Unallocated Resources

- 4.1. The Place Directorate has capital resources totalling £1.388M that has yet to be allocated to any specific scheme. The funding held is restricted to the expenditure it can be applied to by virtue of conditions attached to that funding.
- 4.2. The table below shows the resources available for future schemes, split between each type of funding. The majority of these balances relate to contributions made to the Authority under Section 106 of the Town and Country Planning Act 1990, yet to be allocated to a scheme.



Funding Implications:

The minor over commitment of funding over the period will be managed accordingly within available resources.

Unallocated resources will be assigned to individual schemes as they become operational, subject to further Cabinet Reports.

5. **Future Outlook**

Future Outlook:

All schemes continue to be monitored throughout the year to identify any significant variances that arise so that corrective action can be implemented.

The Council has set aside £13.6M of capital resources to fund the wider Economic Plan. This programme of works includes key schemes such as the Goldthorpe Master Plan (£4.9M), Strategic Business Parks/Growth Cluster (£2.7M) and Digital Barnsley £1.3M.

Works have commenced on the Goldthorpe Master Plan Scheme which will see the creation of a new primary school as highlighted above. Works are also ongoing in relating to the Strategic Business Parks Scheme. In particular the Council has recently been successful in securing funding from Sheffield City Region Investment Fund to enable the commencement of works at Junction 36.

The Council is also looking secure funding from SCRIF to fund the Digital Barnsley element of the Economic plan – future reports will update on progress to this regard.

6. **Action Points**

Action Points:

There are no action points at this stage.

SECTION 3 – EXECUTIVE DIRECTOR’S STATEMENT FOR COMMUNITIES

1. Major Schemes

1.1. The major schemes that are incorporated within the Communities Directorate’s Capital Programme include:

1.2. **Disabled Facilities Improvements (£1.979M)**

These grants provide adaptations to private dwellings to enable disabled residents to stay in their homes and retain their independence.

1.3. **Customer Services Project (£0.570M)**

This scheme is for the capital requirements associated with the implementation of the Council’s Customer Services programme; seen as integral to changing the relationship between the Council and the Community, which acknowledges the growth of online services and Central Government’s digital by default agenda. A key component of this scheme is the replacement of the existing Customer Relationship Management (CRM) system.

1.4. **Community Kiosks (£0.359M)**

This scheme relates to the provision of community kiosks into key neighbourhood locations to enable local citizens to access electronic Council services in their own locality. This will assist in giving people access to information and guidance and allow them to self-serve in relation to transacting with the Council.

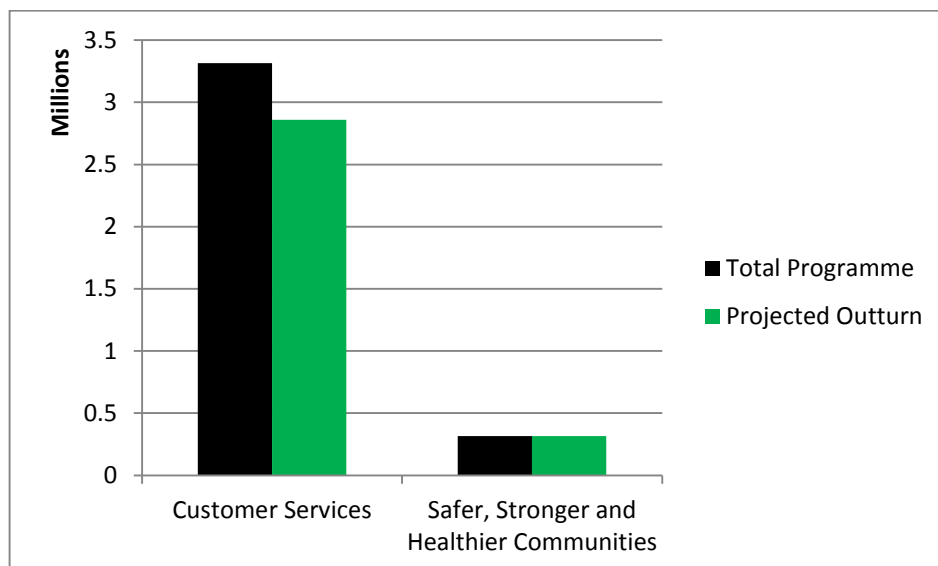
2. Overall Communities Capital Programme Position

2.1. Planned payments for the overall Communities Directorate total £3.629M with the projected outturn across the programme currently showing £3.174M.

2.2. The table below shows the overall position on the Communities Directorate Capital Programme for the 5 year period (2015/16 through 2019/20) per Business Unit. Appendix A to this report details the plans and outturn per individual scheme.

<u>Business Unit</u>	Total Capital Programme £M	Total Projected Outturn £M	Overall Variance Within Programme £M
Customer Services	3.314	2.859	(0.455)
Safer, Stronger and Healthier Communities	0.315	0.315	-
Totals	3.629	3.174	(0.455)

2.3. The chart below is a graphical representation of the table above.



3. 2015/16 Communities Capital Programme Position

- 3.1. Within the Communities Directorate Capital Programme, expenditure plans exist in 2015/16 only, therefore the overall plans shown above in section 2 are identical to 2015/16 plans. As at 30th June 2015, actual expenditure incurred totalled £0.245M.

Overview:

The overall position for the Communities Directorate is currently showing a lower than planned expenditure of £0.455M.

The key variances are as follows:

- Community Kiosks Scheme – Currently a £0.359M under commitment is being reported. This scheme has since been superseded by the Customer Services Project and therefore no expenditure is expected.*
- Adults & Communities Libraries Information System Scheme - Currently a £0.096M under commitment is being reported. Like the scheme above, this scheme has since been superseded by the Customer Services Project and therefore no expenditure is expected.*
- The service is looking to utilise these resources to contribute towards the fitting out of the new Library for the required ICT provision, for which no provision currently exists within the current Town Centre funding position. If approved these resources would expect to be spent in 2016/17.*

4. Unallocated Resources

- 4.1. There are no unallocated resources within the Communities Directorate.

Funding Implications:

The funding in relation to the two schemes above is available for reprioritising to existing / new schemes. However, as set out above, there is currently no resource provision for ICT infrastructure and equipment within the proposed new town centre library and the service would be looking to utilise these resources for that scheme. This will be the subject of a subsequent Cabinet Report to be presented in due course.

5. Future Outlook

Future Outlook:

All schemes continue to be monitored throughout the year to identify any significant variances that arise so that corrective action can be implemented.

Consideration must be given to further Cabinet Reports in respect of the available resources as a result of schemes ceasing as discussed above.

6. Action Points

Action Points:

There are no action points at this stage.

SECTION 4 – DIRECTOR’S STATEMENT FOR FINANCE, ASSETS & IS

1. Major Schemes

1.1. The major schemes that are incorporated within the Finance, Assets & IS Directorate’s Capital Programme include:

1.2. Town Centre Redevelopment (£46.255M)

This is the overarching scheme to deliver town centre redevelopment. Under the new arrangement, the Council will effectively become the direct developer / lead in securing the long term regeneration of the town centre but with a view to unlocking future private sector investment. Having acquired the Metropolitan Centre some 3 years ago, the main spend on this scheme will be to refurbish the centre as well as build a new library. Other budgeted spend will cover new acquisitions, town centre preparation work (e.g. drainage, demolition, earthworks) and a new multi-story car park. The outdoor market has now relocated to the town centre precinct in order to facilitate the refurbishment programme.

1.3. Building Schools for the Future (BSF) (£2.951M)

These series of schemes relate to the Authority’s secondary school programme, as part of the BSF project. The plans relate to, in the main, ICT technology for these schools and contractor payments relating to the two design and build schools.

1.4. Hoyland Town Centre Regeneration (£0.500M)

This scheme relates to the redevelopment of Hoyland Town Centre, in partnership with a private developer, through the closure and demolition of the Town Hall, relocation of the market and further developments to build a new supermarket.

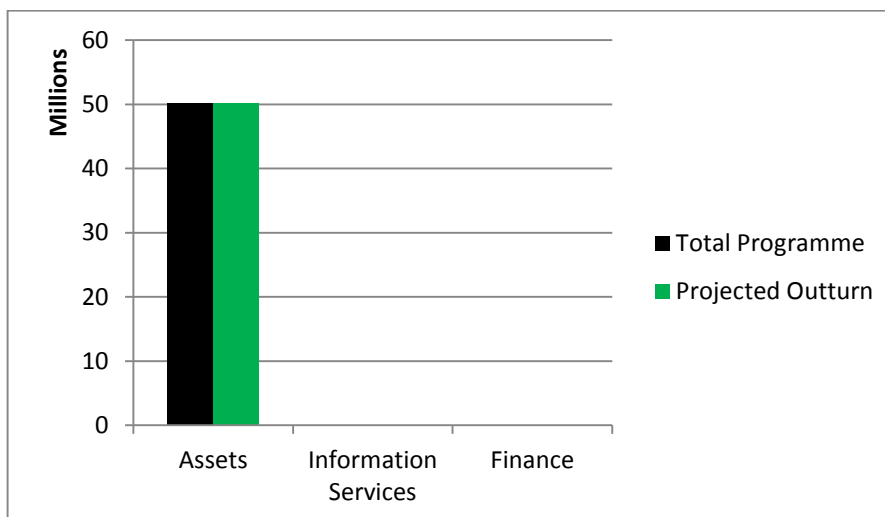
2. Overall Finance, Assets & IS Capital Programme Position

2.1. Planned payments for the overall Finance, Assets & IS Directorate total £50.137M with the projected outturn across the programme currently showing £50.137M.

2.2. The table below shows the overall position on the Finance, Assets & IS Directorate Capital Programme for the 5 year period (2015/16 through 2019/20) per Business Unit. Appendix A to this report details the plans and outturn per individual scheme.

<u>Business Unit</u>	Total Capital Programme £M	Total Projected Outturn £M	Overall Variance Within Programme £M
Assets	50.137	50.137	-
Information Services	-	-	-
Finance	-	-	-
Totals	50.137	50.137	-

2.3. The chart below is a graphical representation of the table above.

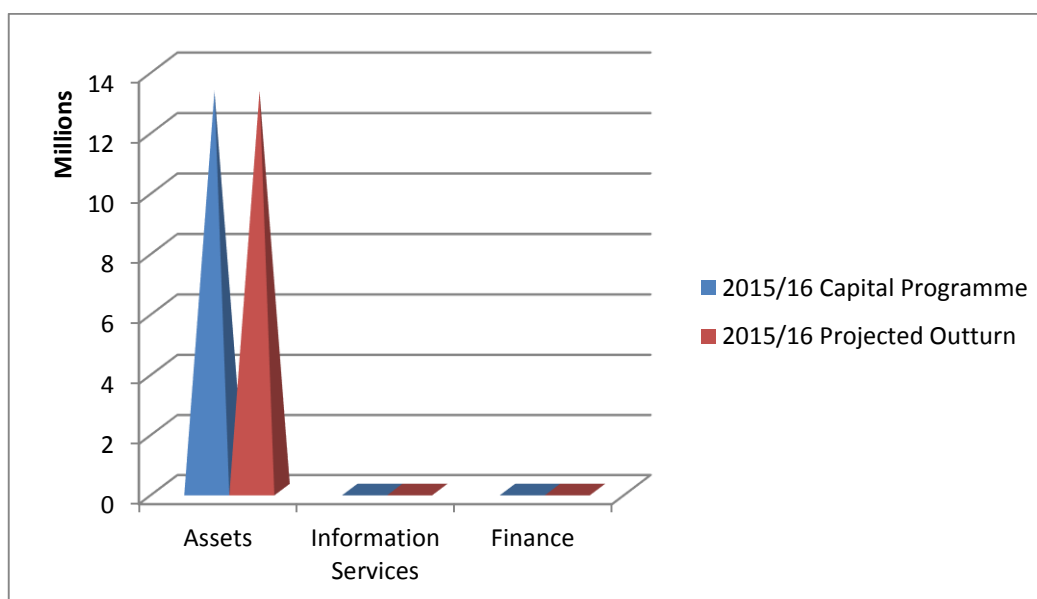


3. 2015/16 Finance, Assets & IS Capital Programme Position

- 3.1. Planned payments for the overall Finance, Assets & IS Directorate for 2015/16 total £13.213M with the projected outturn across the programme currently showing £13.213M.
- 3.2. The table below shows the position on the Finance, Assets & IS Directorate Capital Programme for the 2015/16 financial year per Business Unit. Appendix A to this report details the plans and outturn per individual scheme.

<u>Business Unit</u>	2015/16 Capital Programme £M	Actuals to June 2015 £M	Projected Outturn 2015/16 £M	2015/16 Variance £M
Assets	13.213	0.965	13.213	-
Information Services	-	-	-	-
Finance	-	-	-	-
Totals	13.213	0.965	13.213	-

- 3.3. The chart below shows a graphical representation of the table above.



Overview:

Both the overall position and 2015/16 for the Finance, Assets & IS Directorate is currently showing a balanced capital programme.

4. **Unallocated Resources**

4.1. There are no unallocated resources within the Finance, Assets & IS Directorate.

Funding Implications:

There are no funding implications within the directorate. However, existing resources will be monitored accordingly through active financial management of schemes within the programme.

5. **Future Outlook**

Future Outlook:

All schemes continue to be monitored throughout the year to identify any significant variances that arise so that corrective action can be implemented.

6. **Action Points**

Action Points:

There are no action points at this stage.

SECTION 5 – STATEMENT FOR THE HOUSING REVENUE ACCOUNT (HRA)

1. Major Schemes

1.1. The major schemes that are incorporated within the HRA Capital Programme include:

1.2. Barnsley Homes Schemes (£77.347M)

The 2015/16 programme includes nine approved schemes (one of which was brought forward for a January 2015 start). Five schemes are currently on site and all nine schemes are due to complete by 31st March 2016. The 2016/17 address lists have been published on the Berneslai Homes web site and all residents have been written to informing them of the planned works.

Over the three year period from 2014 onwards, around 2,700 dwellings will receive works designed to keep them maintained at the Government's Decency Standard. Works are ongoing planning Barnsley Homes Standard programmes of work beyond 2017, all designed to maintain properties at the Decency standard. The works will be undertaken by Berneslai Homes stock maintenance partners, Kier Building Maintenance and Berneslai Homes Construction Services.

On Barnsley Homes Standard schemes we are, if possible, installing air source heat pumps instead of traditional boilers. This 'greener' technology attracts renewable heat incentive (RHI) income to the HRA, currently estimated at over £1M over a seven year period although this is expected to increase as more Air Source Heat Pumps are installed.

1.3. Replacement Items (£13.703M)

Items which are reported by tenants and subsequently on inspection deemed beyond repair are placed into a planned rolling programme of work throughout the year. The programmes are complementary to the Maintaining the Homes Standard Programme and properties where decent homes works are planned are excluded except in very urgent or emergency cases.

1.4. Major Adaptations (£10.606M)

Major Adaptations continue to be a major scheme within the programme. This budget helps to meet the needs of people with specific identified needs within the borough to allow them to continue to live as independently as possible in the home of their choice.

1.5. New Builds (£10.157M)

The current programme includes an approved proposal to build 110 new homes across the Borough. Below is an update on progress on the sites:-

The Saville Road, Gilroyd development of 9 houses was formally handed over in March 2015 and the new tenants moved in immediately.

The Roy Kilner Road development in Wombwell of 37 units has suffered a significant delay due to the contractor going into administration. We are now in the process of re-procuring the works. The first property handovers are now likely to fall into the Spring of 2016 with the remainder phased in of the following months.

The Meadow View Hoyland project of 4 houses started on site in March 2015 with completion projected for July 2015.

The schemes in Worsbrough (6 units), Elsecar (6 units) and Bellbrooke, Darfield (4 units) are currently in the final design stages with start on site expected to be committed in late 2015.

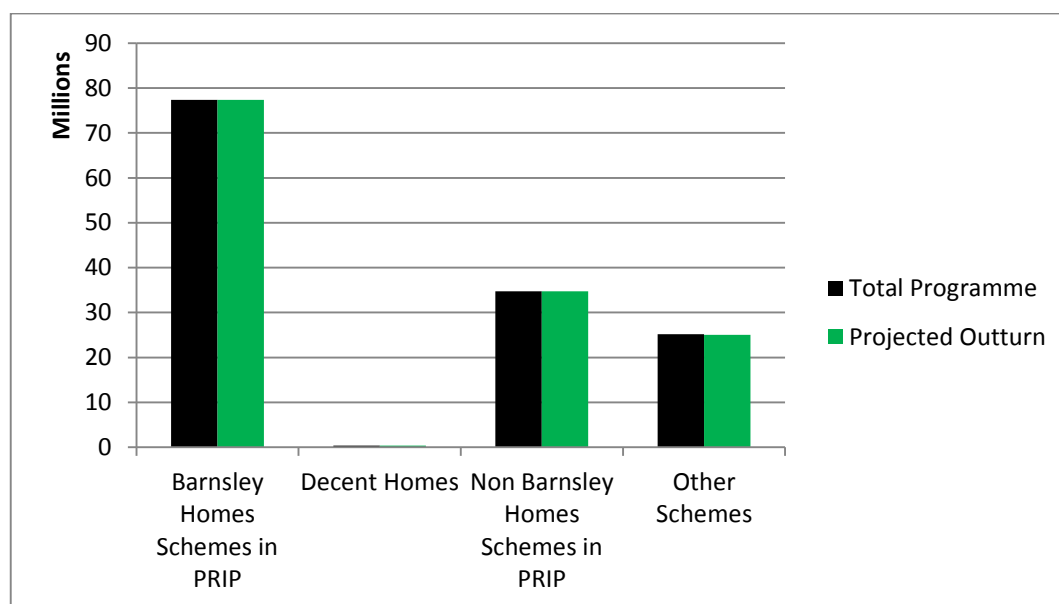
We currently have several other projects in the early feasibility stage moving towards delivery in 2016.

2. **Overall HRA Capital Programme Position**

- 2.1. Planned payments for the overall HRA Capital Programme total £137.650M with the projected outturn across the programme currently showing £137.490M.
- 2.2. The table below shows the overall position on the HRA Capital Programme for the 5 year period (2015/16 through 2019/20) per area of spend. Appendix A to this report details the plans and outturn per individual scheme.

<u>Area</u>	Total Capital Programme £M	Total Projected Outturn £M	Overall Variance Within Programme £M
Barnsley Homes Schemes in PRIP	77.347	77.344	(0.003)
Decent Homes	0.376	0.379	0.003
Non Barnsley Homes Schemes in PRIP	34.714	34.714	-
Other Schemes	25.213	25.053	(0.160)
Totals	137.650	137.490	(0.160)

- 2.3. The chart below is a graphical representation of the table above.



Overall Position:

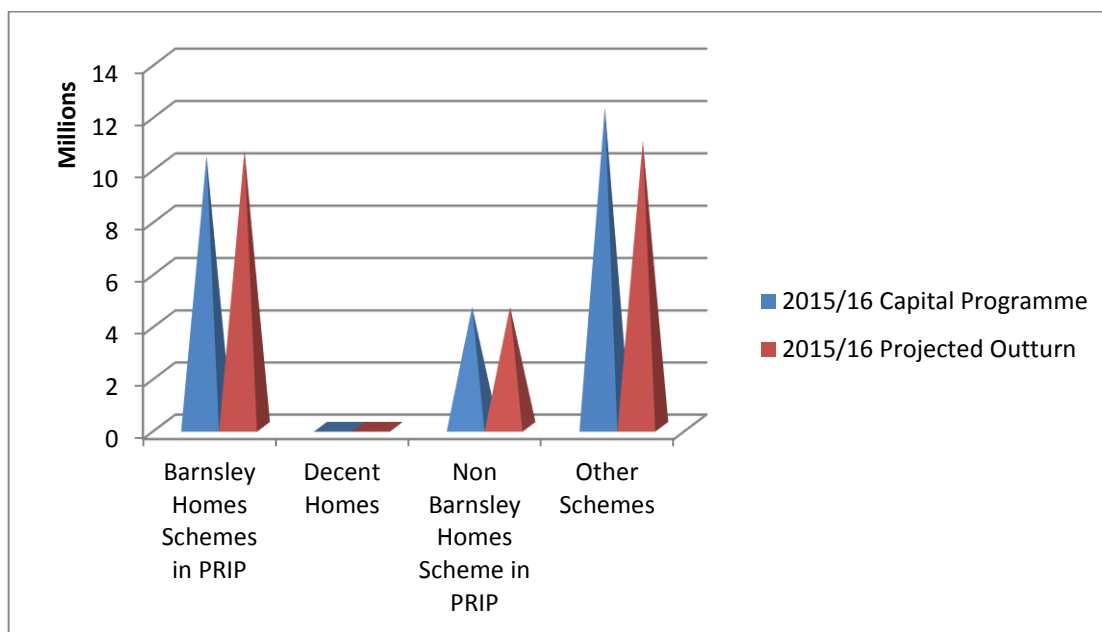
The projected outturn on the overall HRA capital programme is currently showing a lower than budgeted spend position of £0.160M. This is mainly due to savings identified in a Boiler Replacement scheme (-£0.146M).

3. **2015/16 HRA Capital Programme Position**

- 3.1. Planned payments for the overall HRA Directorate for 2015/16 total £27.216M with the projected outturn across the programme currently showing £26.166M.
- 3.2. The table below shows the position on the HRA Directorate Capital Programme for the 2015/16 financial year per area of spend. Appendix A to this report details the plans and outturn per individual scheme.

<u>Area</u>	2015/16 Capital Programme	Actuals to June 2015	Projected Outturn 2015/16	2015/16 Variance
	£M	£M	£M	£M
Barnsley Homes Schemes in PRIP	10.380	1.193	10.597	0.217
Decent Homes	-	0.114	0.018	0.018
Non Barnsley Homes Scheme in PRIP	4.606	0.481	4.606	-
Other Schemes	12.230	1.086	10.945	(1.285)
Totals	27.216	2.873	26.166	(1.050)

3.3. The chart below shows a graphical representation of the table above.



2015/16 Position

The projected outturn on the 2015/16 HRA capital programme is currently showing a lower than budgeted spend position of £1.050M.

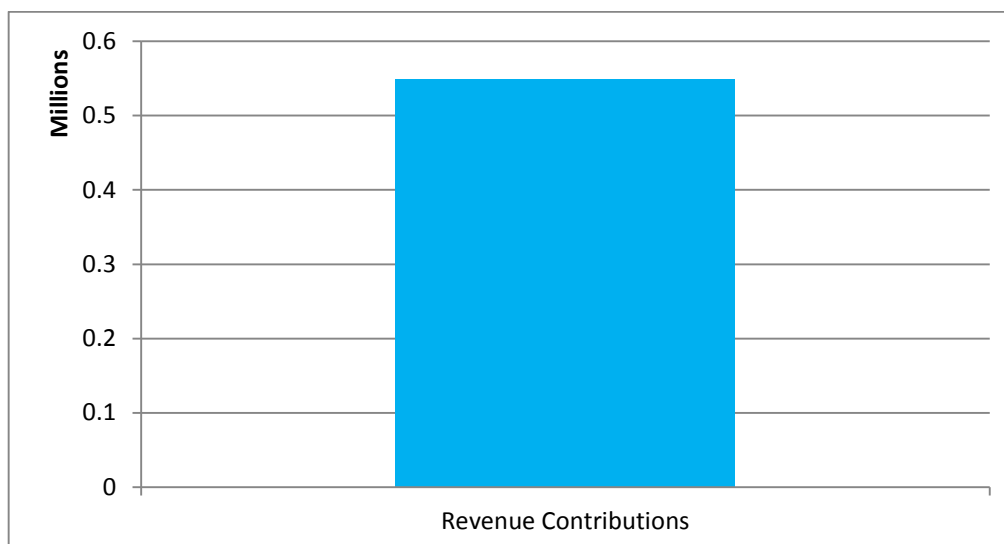
The £1.050M is made up of new scheme slippage totaling £0.720M of which £0.568M relates to the Roy Kilner New Build scheme due to significant delays. The contractor on this scheme recently went into administration which has resulted in the anticipated completion of the scheme moving from September 2015/16 into early 2016/17.

The remaining £0.330M related to reduction in scheme costs within 2015/16, mainly relating to significant reductions (£0.146M) on a boiler replacement scheme.

4. Unallocated Resources

- 4.1. The HRA currently has capital resources totalling £0.549M that has yet to be allocated to any specific scheme. The funding held is restricted to the expenditure that it can be applied to by virtue of conditions attached to that funding.
- 4.2. The table below shows the resources available for future schemes, split between each type of funding. The total of these balances relate to revenue contributions made by the HRA to fund

capital expenditure, yet to be allocated to a scheme. The HRA contributions are specifically held for HRA related spend and therefore cannot be freely used to utilise non HRA schemes.



Funding Implications:

The main sources of funding in the HRA capital programme are flexible and can be phased into future years to match scheme expenditure.

Unallocated resources will be assigned to individual schemes as they become operational, subject to further Cabinet Reports.

5. Future Outlook

Future Outlook:

The 2015/16 BHS schemes are all scheduled to complete by the end of March 2015. Currently there have been no issues identified that will prevent this being achieved. The non BHS budgets covered within the PRIP contract (e.g. Replacement items, Major Adaptations) are demand led budgets so can vary year on year. These budgets are monitored closely and spend profiled accordingly.

The implications of the budget announcement in July will result in all future years' expenditure on Council Housing both revenue and capital being reviewed.

6. Action Points

Action Points:

There are no action points at this stage.

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This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Director of
Finance, Assets and
Information Services

TREASURY MANAGEMENT ACTIVITIES & INVESTMENT PERFORMANCE - QUARTER ENDING 30 JUNE 2015

1. Purpose of the Report

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2. Recommendations

- 2.1 It is recommended that Members note:-

- **the Treasury Management activities undertaken for the period and compliance with the Prudential Indicators;**
- **the Authority's Capital Programme Funding Position;**
- **the performance of the Authority's investments for the reported quarter.**

3. Economic Summary

- 3.1 After strong UK GDP growth in 2013 and 2014, the economic recovery slowed in the first quarter of 2015/16. Wage growth picked up as the labour market tightened and the latest consumer confidence figures suggest that households still think now is a good time to undertake major purchases.
- 3.2 There was another split vote by the Bank of England's Monetary Policy Committee (MPC), but an increase in interest rates before the end of the year remains unlikely.
- 3.3 With the Conservatives winning an outright majority in May's general election, the fiscal squeeze is set to re-intensify next year. In order to meet their manifesto pledge, the Conservatives will have to implement a fiscal consolidation of around 5% of GDP over the next four years; which will have to come through cuts to spending given that they have pledged not to increase VAT, income tax or national insurance.
- 3.4 The possibility of a Greek exit from the Eurozone became greater during the first quarter. Whilst the UK's direct exposures to Greece are small, there could be an adverse impact on the UK economy due to general financial market instability.
- 3.5 A detailed economic commentary on developments during quarter ended 30th June 2015 is provided at Appendix 3.

4. Interest Rate Forecast

4.1 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%

4.2 This latest forecast shows the timing of the first increase in Bank Rate will be quarter 1 of 2016 as a result primarily of poor growth, although there are signs that an increase could come earlier. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual, and the table above shows relatively small 0.25% rises over the next three years. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation.

4.3 A detailed commentary on interest rate forecasts is provided at Appendix 4.

5. Annual Investment Strategy

5.1 The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 11th February 2015. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

5.2 The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

5.3 The table below summarises the investment transactions undertaken during the period and officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2015. An analysis of the Authority's investment portfolio as at 30th June 2015 is provided at Appendix 2.

	Balance on 01/04/2015 £m	Investments Made £m	Investments Repaid £m	Balance on 30/06/2015 £m	Increase/ (Decrease) in Investments for Q1 £m
Long-Term Investments	5.000	4.000	-	9.000	4.000
Short-Term Investments	26.000	3.000	19.000	10.000	(16.000)
Money Market Funds / Instant Access	11.520	93.800	84.420	20.900	9.380
TOTAL INVESTMENTS	42.520	100.800	103.420	39.900	(2.620)

- 5.4 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the current Bank Rate and other extraordinary measures such as the Funding for Lending Scheme (FLS), which has bolstered the economy by allowing commercial banks to borrow from the Bank of England cheaply, so that the banks then pass this on in the form of cheap loans to firms.
- 5.5 The 7 day London Interbank Bid Rate (LIBID) is used as a performance indicator for measuring the return on investments. The average 7 day LIBID for the 1st Quarter was 0.36%. The average rate of return on the Authority's total investments for the quarter exceeded the benchmark and was 0.54%.

6. The Authority's Capital Programme Funding Position

- 6.1 Borrowing transactions during the quarter are summarised in the table below:

	Balance on 01/04/2015 £m	Debt Repaid £m	New Borrowing £m	Balance on 30/06/2015£ m	Increase/ (Decrease) in Borrowing £m
Short Term Borrowing	53.503	30.500	18.000	41.003	(12.500)
PWLB Borrowing	428.189	1.148	-	427.042	(1.148)
Other Long Term Loans	63.500	-	-	63.500	-
TOTAL BORROWING	545.192	31.648	18.000	531.545	(13.648)

- 6.2 There was a decrease in external debt of £13.7M during the quarter consisting mainly of the repayment of temporary borrowing.
- 6.3 Short term borrowing levels decreased during the quarter in line with cash flows as a large proportion of grant funding is received during the early stages of the financial year. However, temporary borrowing continues to represent an inexpensive method of financing and will continue to form an integral part of the borrowing strategy for 2015-16 as stated in the Treasury Management Strategy. Affordability and the 'cost of carry' (the difference between long-term borrowing rates and short-term investment rates) remain important influences on the borrowing strategy and the Authority determines it cost effective in the short-term to use internal resources.

New Borrowing

- 6.4 The 25 year PWLB target (certainty) rate for new long term borrowing, for the quarter ending 30th June, rose slightly from 3.40% to 3.50% after the May Bank of England Inflation report. Due to the overall financial position no new long-term borrowing was undertaken during the quarter. The PWLB certainty rates for the quarter ended 30th June 2015 are shown in Appendix 4.

Borrowing in Advance of Need

- 6.5 The Council has not borrowed in advance of need during the quarter ended 30th June 2015.

7. Debt Rescheduling

- 7.1 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 30th June 2015, no debt rescheduling was undertaken.

8. Compliance with Treasury and Prudential Limits

- 8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 8.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 1.

9. Treasury Management Advisors

- 9.1 Following a tender process in June 2015, Capita Asset Services were awarded a three year contract for the provision of Treasury Management Services to the Authority, replacing the previous advisors, Arlingclose Ltd.

10. Review of TM Activities

- 10.1 As mentioned at Section 6, the Council is in an 'under borrowed' position (i.e. reflective of the amount it internally borrows) with further significant borrowing still required over the next 2-3 years in relation to town centre spend. Bearing in mind interest rates are expected to rise over the next 12-18 month period, the Council has over half of its borrowing requirement at risk of interest rate change and has a reserves strategy that plans to spend its available resources. As such, it is likely that the Council will not be able to sustain a temporary / internal borrowing position at current levels and will need to fix out some more borrowing in the near future. Financial Services will continue to closely monitor this position to ensure that its long term borrowing position is optimised without unduly incurring additional costs in the short term.
- 10.2 The Council also has a number of loans that will mature over the next 2-3 years at relatively high rates. Financial Services will again seek to replace these loans at lower rates as part of the process to optimise the Council's longer term borrowing position.
- 10.3 The Council is also looking at alternative investment options including property based funds and has already had protracted consultations with one property fund. The Council has also invested in the LGA's Municipal Fund bond which is seeking to offer cheap loan rates. This will allow the Council access to cheaper alternate rates compared to more traditional methods such as PWLB or market rates. However, the Council's main focus for securing savings will be twofold:

MRP Review

- 10.4 The first relates to reviewing its MRP policy. The Council has discretion to determine how it repays its loans and has previously taken a fairly prudent approach with repayments typically over 25 years. Our review will focus on the repayment periods we have in place to determine whether payments can be smoothed over a longer period – similar to re-mortgaging. Although repaying debt over a longer period will mean higher overall interest costs, the short to medium term costs (up to 10 years) will be much lower.

- 10.5 This is a complex area with a number of options and the Council's Treasury Management advisors will be consulted throughout the process to ensure that the rationale that is proposed is reasonable. In addition, the Council's external auditor will be consulted on the drafts of these proposals.

Review of BSF Financing

- 10.6 The other main focus will be refinancing the Council's BSF programme particularly in relation to debt currently incurred by the Local Education Partnership (LEP). This debt is recharged to the Council at rates higher than the Council is able to access itself.
- 10.7 We are therefore looking at whether the Council could fund this debt itself to facilitate cheaper repayments. We have already scoped this out with our treasury management advisers and because there were three phases of the BSF programme with different funders and terms, there are a number of permutations and complexities. The review will therefore seek to weigh up the more favourable terms and interest rates that the Council can offer against the penalty clauses associated with withdrawing early.

11. Benchmarking

- 11.1 The Council receives benchmarking information from Capita which compares investment performance against that of their other clients. This information has the added advantage of including risk weightings and allows comparison with other counterparties who are receiving the same investment advice.
- 11.2 Appendix 5 includes a quarterly investment benchmarking analysis graph to illustrate the Authority's position in terms of risk verses return. The graph shows we are currently outperforming our risk adjusted benchmark, by being just above the upper return level. Given the short-dated nature of our investment portfolio, we are at the lower end of the risk scale, with an average maturity of just seven days.
- 11.3 Officers will continue to measure and manage its exposure to treasury management risks by using benchmarking data and other performance indicators.

APPENDICES

1. Prudential and Treasury Indicators as at 30th June 2015
2. Analysis of Investment Portfolio as at 30th June 2015
3. Detailed Economic Commentary on Developments During Quarter Ended 30th June 2015
4. Detailed Commentary on Interest Rate Forecasts and Capita Asset Services' Forward View
5. Investment Benchmarking June 2015

Prudential and Treasury Indicators as at 30th June 2015

Prudential Indicators	Limit for 2015/16 £'000	Actual at 30/06/2015 £'000	Compliance with Indicator
Maximum debt compared to Authorised Limit	965.000	800.150	Yes
Average debt compared to Operational Boundary	950.000	795.344	Yes

Maturity structure of fixed rate borrowing - upper and lower limits	Upper Limit (%)	Lower Limit (%)	Actual Fixed Borrowing 30/06/15 £'000	% Fixed Borrowing at 30/06/15	Compliance with Indicator
Under 12 months	50	0	103.801	23%	Yes
12 months to 2 years	25	0	14.328	3%	Yes
2 years to 5 years	25	0	36.174	8%	Yes
5 years to 10 years	25	0	50.932	11%	Yes
10 years to 20 years	75	0	36.476	8%	Yes
20 years to 30 years	75	0	0.500	1%	Yes
30 years to 40 years	75	0	82.400	18%	Yes
40 years to 50 years	75	0	126.030	28%	Yes

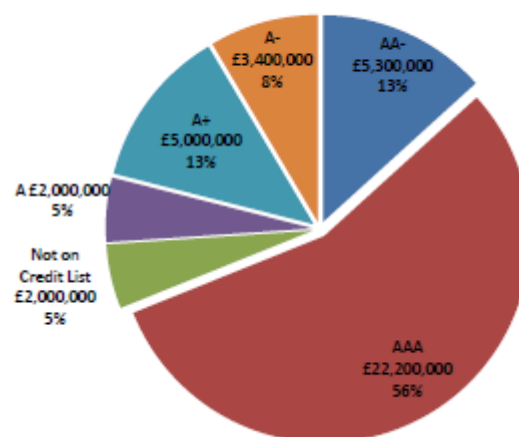
Prudential Indicators	Limit for 2015/16 (%)	Actual at 30/06/2015 (%)	Compliance with Indicator
Upper limit of fixed interest rates based on net debt	90%	90%	Yes
Upper limit of variable interest rates based on net debt	25%	10%	Yes
Prudential Indicators	Limit for 2015/16 £'000	Actual at 30/06/2015 £'000	Compliance with Indicator
Upper limit for principal sums invested over 364 days	20.000	0	Yes

Analysis of Investment Portfolio as at 30th June 2015

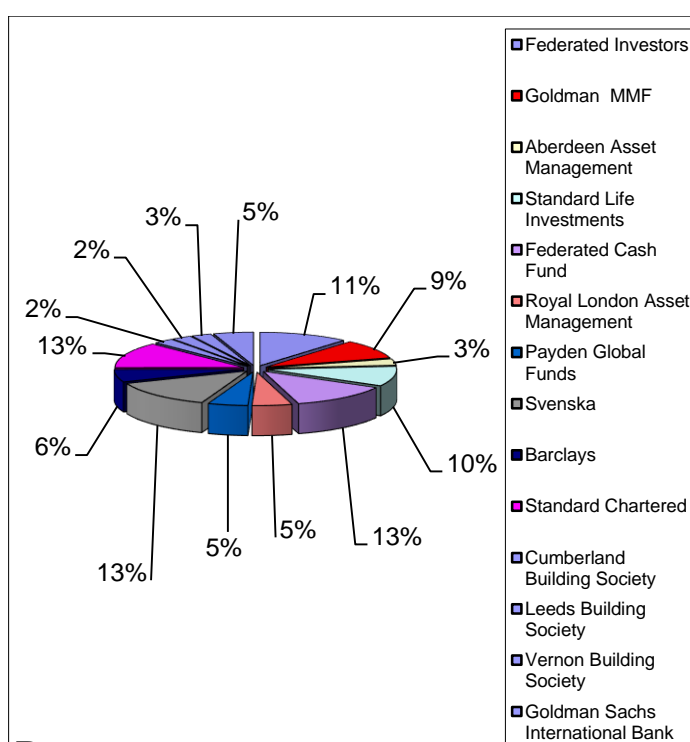
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Federated Investors (UK)	4,500,000	0.46%		MMF	AAA	0.000%
MMF Aberdeen	1,200,000	0.36%		MMF	AAA	0.000%
MMF Goldman Sachs	3,700,000	0.41%		MMF	AAA	0.000%
MMF Standard Life	3,800,000	0.48%		MMF	AAA	0.000%
Barclays Bank Plc	2,400,000	0.50%		Call	A-	0.000%
Svenska Handelsbanken AB	5,300,000	0.45%		Call	AA-	0.000%
EMMF Federated Sterling Cash Plus Fund	5,000,000	0.71%		EMMF	AAA	0.000%
EMMF Royal London Asset Management Cash Plus	2,000,000	0.83%		EMMF	AAA	0.000%
EMMF Payden Sterling Reserve Fund	2,000,000	1.16%		EMMF	AAA	0.000%
Goldman Sachs International Bank	2,000,000	0.53%	15/04/2015	15/07/2015	A	0.003%
Standard Chartered Bank	5,000,000	0.64%	19/01/2015	20/07/2015	A+	0.003%
Cumberland Building Society	1,000,000	0.51%	05/05/2015	13/08/2015	Not on Credit List	
Leeds Building Society	1,000,000	0.44%	14/05/2015	21/08/2015	A-	0.009%
Vernon Building Society	1,000,000	0.55%	15/05/2015	21/08/2015	Not on Credit List	
Total Investments	£39,900,000	0.57%				0.001%

Rating Exposure

Counterparty Fitch Rating	£	%
AAmmf	22,200,000	56%
A+	5,000,000	13%
AA-	5,300,000	13%
A	2,000,000	5%
A-	3,400,000	8%
Unrated Building Societies	2,000,000	5%
TOTAL	39,900,000	100%



Investments by Counterparty	Type	£	%
Federated Investors	MMF	4,500,000	11%
Goldman MMF	MMF	3,700,000	9%
Aberdeen Asset Management	MMF	1,200,000	3%
Standard Life Investments	MMF	3,800,000	10%
Federated Cash Fund	Short Duration	5,000,000	13%
Royal London Asset Management	Short Duration	2,000,000	5%
Payden Global Funds	Short Duration	2,000,000	5%
Svenska	Non-UK Bank	5,300,000	13%
Barclays	UK Bank	2,400,000	6%
Standard Chartered	UK Bank	5,000,000	13%
Cumberland Building Society	UK Build Soc	1,000,000	3%
Leeds Building Society	UK Build Soc	1,000,000	3%
Vernon Building Society	UK Build Soc	1,000,000	3%
Goldman Sachs International Bank	UK Bank	2,000,000	5%
TOTAL		39,900,000	100%



Detailed Economic Commentary on Developments During Quarter Ended 30th June 2015

- During the quarter ended 30th June 2015:
 - The economic recovery slowed in the first quarter of 2015/16;
 - Survey measures pointed to renewed vigour in Q2;
 - Wage growth picked up as the labour market tightens;
 - Deflation lasted only one month, but the outlook remain subdued;
 - Another split vote on the MPC drew nearer, but a rate hike this year remained unlikely;
 - The general election confirmed that the fiscal squeeze will re-intensify next year;
 - The possibility of a Greek exit from the Eurozone became greater.
- The latest economic data showed that the recovery slowed in the first quarter. However, the latest National Accounts painted the recovery in a better light than previously thought. Indeed, Q1's quarterly GDP growth estimate was nudged up from 0.3% to 0.4% on the back of some stronger construction data.
- Business surveys suggest that the recovery got swiftly back on track at the beginning of Q2 and early indicators suggest that the recovery in household spending has maintained plenty of momentum. What's more, spending off the high street looks to have remained robust as well. The Bank of England's Agents' Score of turnover in the services sector points to a further acceleration in nominal spending on services in the near term. In addition, the latest consumer confidence figures suggest that households still think now is a good time to undertake major purchases.
- Household spending should continue to be supported by developments in the labour market. The ILO unemployment rate has now fallen to 5.5%, not far above pre-crisis levels. And the employment rate is the highest since records began. The significant tightening in the labour market over the past eighteen months or so has begun to feed through into pay, with annual growth in headline average weekly earnings (excluding bonuses) picking up to 2.7% in April, its strongest since February 2009. Nominal wage growth is expected to strengthen further over the coming months as the unemployment rate continues to nudge down. The subdued outlook for inflation should underpin real wage growth.
- The latest consumer prices figures showed that deflation lasted just one month. CPI inflation rose from -0.1% in April to +0.1% in May, reflecting the slower pace of falls in food prices and a rebound in petrol prices. Data suggested that deflation was likely to be fleeting, as it primarily reflected temporary external factors such as the fall in energy prices and food prices, as well as an appreciation in sterling, rather than weakness in domestic demand. Meanwhile, there have not been any signs that very low inflation has had any adverse second round effects on inflation expectations or spending decisions. Nonetheless, inflation looks set to hover just above zero for the next six months, and it wouldn't take much during that period, perhaps a renewed 10% fall in the oil price, for the UK to be tipped back into deflation.
- Unsurprisingly, then, the Monetary Policy Committee do not appear to be in any rush to raise interest rates. Granted, the minutes of June's MPC meeting showed that for two members, the decision to leave rates on hold was "finely balanced". And a recent interview with the Financial Times, resident MPC hawk Martin Weale suggested that he is not too far off restoring his vote to raise rates again. But with inflation close to zero and the situation in Greece becoming increasingly

troubling, it looks that they will wait at least another few months before turning against the grain again. And with the rest of the committee likely to stand pat for even longer, it looks unlikely that there will be an increase in interest rates this year.

- Meanwhile, with the Conservatives winning an outright majority in May's general election, the fiscal squeeze is set to re-intensify next year. In order to meet their manifesto pledge, the Conservatives will have to implement a fiscal consolidation worth around 5% of GDP over the next four years. And given that they have pledged to not increase VAT, income tax or national insurance in the next parliament, more of the planned squeeze will have to come through cuts to spending than in the last parliament. Admittedly, these plans may be watered down, but it is clear that fiscal policy will be a hindrance, not a help, to the economic recovery over the next few years, and underlines that monetary policy will have to remain extremely accommodative. Meanwhile, the general election brought with it another cloud to the economic recovery – namely a referendum on the UK's membership of the European Union which could happen during 2016, though a May date now appears unlikely.
- Internationally, the major development over the past quarter has been the deterioration of the situation in Greece. Whilst the UK's direct economic and financial exposures to Greece are small, there could be an adverse impact on the UK's economy from a wider fallout and period of general financial market instability that would be likely to prevail if a Greek exit were to occur.

Detailed Commentary on Interest Rate Forecasts and Capita Asset Services' Forward View

Our treasury management advisers, Capita Asset Services have provided us with the following update to their interest rate forecasts and outlook.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
10yr PWLB rate	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%
25yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%
50yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%

- Economic forecasting remains difficult with so many external influences weighing on the UK. The above Bank Rate forecasts will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.
- In its May Inflation Report, the Bank of England reduced its forecasts for annual growth from 2.9% to 2.5% in 2015 and 2.7% in 2016. 2017 growth was forecast at 2.4% from 2.7%. There were a number of contributing factors to these downward revisions.
- The Bank also took a more pessimistic view on the rate of, and timing of, the keenly hoped for recovery of growth in labour productivity and of increases in wages; it cut its forecast for wages growth in 2015 from 3.5% to 2.5%. This is despite strong growth in employment and continuing reductions in the rate of unemployment; employment increased by 202,000 in the three months January to March and by 1.25m over the last two years. Unemployment has dropped by 386,000 over the last year and the unemployment rate has fallen to 5.5%. On the other hand, job vacancies stood at 736,000 in the last quarter, close to their highest level since records began in 2001. Despite all this positive news, annual wage increases (excluding bonuses) in the last three months were only 1.9%. For this recovery to become sustainable over the longer term, there must be a recovery in the growth of productivity and real wages in excess of the rate of inflation.
- CPI inflation dipped into deflation territory, falling to -0.1%. This dip into deflation will only last for a short period until the fall in the prices of oil and food drop out of the twelve month calculation of CPI, especially during Q4 2015, when inflation is expected to tick up markedly. The latest Inflation Report clearly shows an anticipated rise in inflation to being slightly above the 2% target in the two to three year time horizon.

- The PWLB certainty rates for the quarter ended 30th June 2015 are shown below:

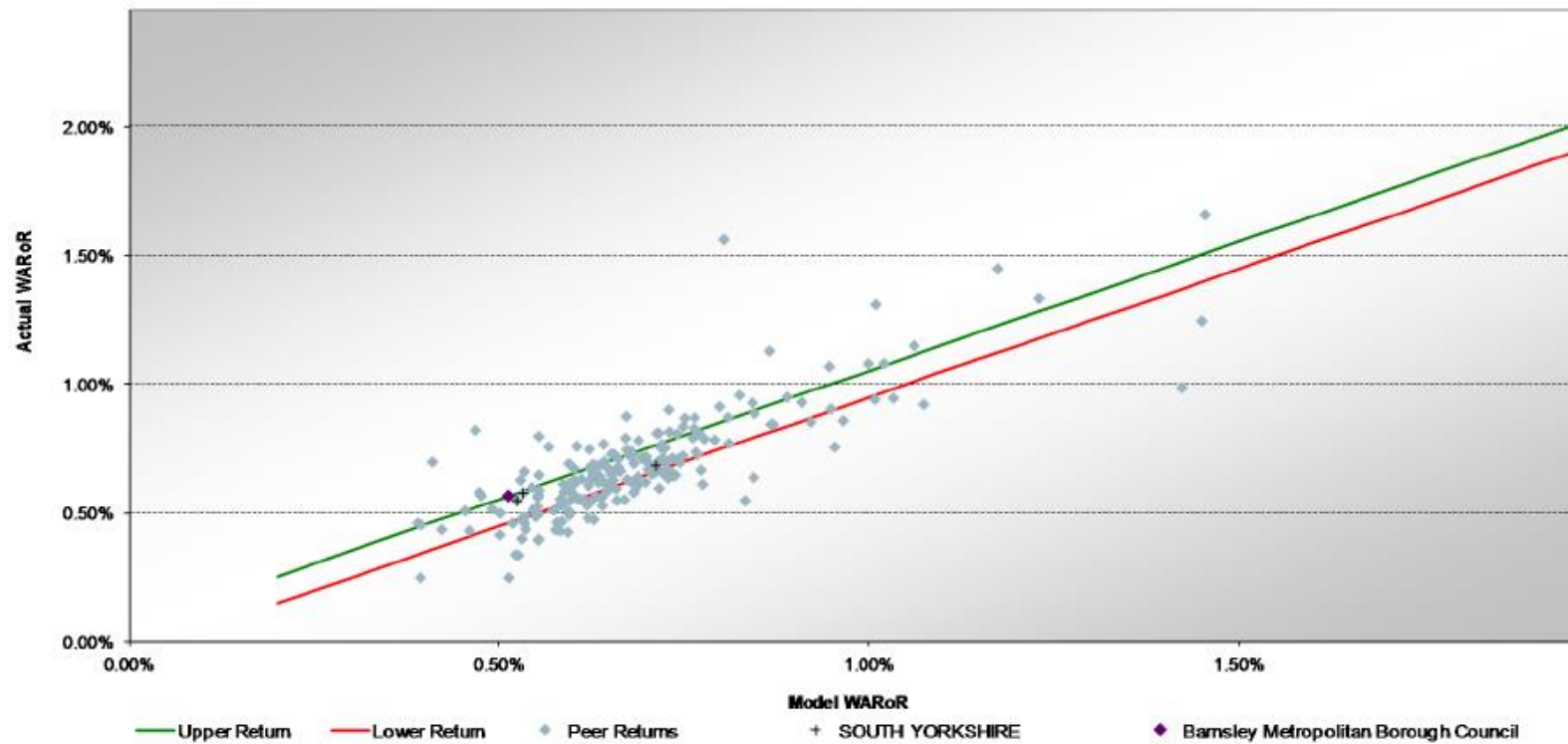
	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.11%	1.82%	2.40%	3.06%	3.01%
Date	02/04/2015	02/04/2015	02/04/2015	02/04/2015	02/04/2015
High	1.33%	2.32%	3.04%	3.65%	3.55%
Date	25/06/2015	25/06/2015	10/06/2015	24/06/2015	04/06/2015
Average	1.23%	2.09%	2.75%	3.37%	3.29%

- A high level of volatility in PWLB rates over 2015 should be expected, as there are many factors impinging on market and investor sentiment. PWLB rates could swing by 50 bps in a quarter, which makes any forecasts in the shorter term subject to a much higher level of volatility than has been usual.
- The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.
- The American economy experienced disappointing growth in quarter 1 2015, contracting by 0.2% on an annualised basis, due to bad weather hitting construction and consumer spending, a ports strike and the near 20% appreciation in the value of the dollar. However, it is expected to recover strongly in quarter 2 and resume its trend of making a full recovery from the financial crash. GDP growth for 2014 as a whole of 2.4% holds great promise for strong growth going forward and for further falls in unemployment. It is therefore expected that the Fed will start on the first increase in the Fed rate during 2015 and is likely to be ahead of the UK in being the first major western country to raise rates.
- As for the Eurozone, the ECB announced a massive €1.1 trillion programme of Quantitative Easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme started in March and will run to September 2016. This seems to have already had a beneficial impact in improving confidence and sentiment. There has also been a continuing trend of marginal increases in the GDP growth rate which hit 0.4% in quarter 1 2015 (1.0% y/y). Deflation has also ended with a return into positive territory with an increase from 0.0% in April to +0.3% in May. In May, ten year bond yields shot up by around 50 bps after having dipped to near zero for a brief period.
- The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

CAPITA

Asset Services

Investment Benchmarking June 2015 – Barnsley MBC



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Barnsley Metropolitan Borough Council	0.57%	0.51%	0.06%	0.46%	0.56%	Above



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External audit progress report and technical update

Item 10

**Barnsley Metropolitan
Borough Council**

September 2015

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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cutting through complexity

Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Page 124

Area of responsibility	Commentary
Audit Planning	We completed our risk based audit planning for the 2014/15 audit of your financial statements and VFM conclusion and presented the Audit Plan to the Audit Committee in March 2015.
Financial statements	Our interim audit on-site visit took place during February 2014. We presented an Interim Report to the Audit Committee in July 2015. Our audit of your draft financial statements is almost complete. Our ISA260 report is being presented to the Audit Committee today and we will issue our opinion on your financial statements by 30 September 2015.
Value for Money	Our work on the VFM conclusion is complete. Our ISA260 report being presented to today's Audit Committee meeting includes a summary of our findings relating to the VFM conclusion. We will issue our VFM conclusion by 30 September 2015.
Certification of claims and returns	The Housing Benefit & Council Tax Benefit Claim is the only grant remaining under the Public Sector Audit Appointments (PSAA) regime. We commenced this audit in June and we will report before the deadline of 30 November 2015.
Other work	Our tax colleagues have been engaged to do some work at the Council on restructuring of subsidiary groups and the Bull TCL contract termination. The fees relating to this amount to £16,250. We have also been asked to provide the audit certificate on the following grants and returns that fall outside the PSAA regime: <ul style="list-style-type: none"> • Teacher's Pensions Return; • National Teacher Training; and • Pooling of Capital Receipts. We will agree the audit fees for these claims and returns with officers.



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KPMG resources


Area	Comments
<p data-bbox="66 322 244 476">Governance arrangements work over the Better Care Fund.</p> <p data-bbox="95 519 140 705">Page 126</p>	<p data-bbox="294 322 1984 476">The £3.8 billion Better Care Fund (BCF) (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 Spending Round, to ensure a transformation in integrated health and social care. The BCF is a single pooled budget to support health and social care services to work more closely together in local areas. The BCF not only brings together NHS and Local Government resources, but also provides a real opportunity to improve services and value for money, protecting and improving social care services by shifting resources from acute services into community and preventative settings.</p> <p data-bbox="294 496 1984 591">The governance arrangements for the BCF will therefore have to meet the requirements of all partners to achieve economy, efficiency and effectiveness in their use of resources. Each partner will also need to satisfy itself that the pooled budget complies with the requirements of its appropriate code of governance and annual governance reporting guidance.</p> <p data-bbox="294 611 1984 733">Each partner must also satisfy itself that all other regulatory requirements are met – for example, that discrete funding streams are only spent appropriately at a local level. Partners therefore need to make arrangements to ensure that that is happening. Additionally, there will be a requirement for an audit certificate on this expenditure and arrangements need to be in place to ensure appropriate records are kept to provide sufficient audit assurance.</p> <p data-bbox="294 753 1984 813">With this in mind, CCG governing bodies and Local Authority Executives are now considering whether governance arrangements and structures are fit for purpose and will ensure the effective management of the BCF and the pace of development and implementation.</p> <p data-bbox="294 833 1984 859">We are currently carrying out reviews of these governance arrangements and structures using the following Key Lines of Enquiry:</p> <ul data-bbox="294 879 725 1145" style="list-style-type: none"> ■ Governance arrangements. ■ Engagement and communication. ■ Hosting arrangements. ■ Signed agreement. ■ Performance management. ■ Financial management. <p data-bbox="294 1165 1533 1190">For more information, please contact Linda Wild, telephone 0113 231 3512, e-mail linda.wild@kpmg.co.uk</p>

Area	Comments
Audit Committee Institute: Local Government Seminar Series – Winter 2015	<p>Our Audit Committee Institute ('ACI') events have been designed to provide you with sessions that help you consider the challenges faced by Local Government bodies today, and to help you think about the questions you want to be asking in relation to the assurance you need.</p> <p>Our bespoke seminars are tailored to your needs, offering you the opportunity to discuss and share best practice with your peers. They will encourage and spark debate and give you the opportunity to reflect on your role and how your organisation can meet the challenges ahead.</p> <p>Our Winter Local Government sessions will be led by specialists from our dedicated Local Government practice and will focus on hot topics in the sector.</p> <p>The Leeds event will take place on 15 October 2015 from 6pm.</p> <p>Invites will be sent to Audit Committee members in Summer 2015.</p> <p>For more information, please contact Linda Wild, telephone 0113 231 3512, e-mail linda.wild@kpmg.co.uk.</p>

Area	Comments
<p>KPMG publication titled: <i>Value of Audit – Perspectives for Government</i></p> <p>Page 128</p>	<p>What does this report address?</p> <p>This report builds on the <i>Global Audit campaign – Value of Audit: Shaping the future of Corporate Reporting</i> – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.</p> <p>Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.</p> <p>What are the key issues?</p> <ul style="list-style-type: none"> ■ The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements. ■ The importance of trust and independence of government across different markets. ■ How government audits can provide accountability thereby enhancing the government’s controls and instigating decision-making. ■ The importance of technology integration and the issues that need to be addressed for successful implementation ■ The degree of reliance on government financial reports as a result of differing approaches to conducting government audits <p>The <i>Value of Audit: Perspectives for Government</i> report can be found on the KPMG website at https://home.kpmg.com/xx/en/home/insights.html</p> <p>The <i>Value of Audit: Shaping the Future of Corporate Reporting</i> can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx</p>

Technical update


Area	Level of impact	Comments	KPMG perspective
Reporting developments – Infrastructure assets <div>Page 130</div>	 Medium	<p>CIPFA/LASAAC, the group that produce the <i>Code of Practice for Local Authority Accounting</i>, have confirmed that transport infrastructure assets owned by local authorities will be required to be included in the accounts from 2016/17. This would require prior period adjustments for 2015/16, including the opening position at 1 April 2015.</p> <p>The changes require local authorities to recognise the value of all transport infrastructure assets using the depreciated replacement cost method, i.e. the cost required to replace the asset with a new replacement depreciated over the life of the existing asset. Transport infrastructure assets include:</p> <ul style="list-style-type: none"> ■ roads, bridges, roundabouts and traffic calming measures; ■ footways, footpaths and cycle tracks; ■ tunnels and underpasses; and ■ water supplies and drainage systems, as they support the assets identified above. <p>Even non-highway authorities will be affected to the extent that footways etc are material to their accounts. Railway assets are not currently included in the proposals, although it is possible that these may be included in subsequent periods.</p> <p>CIPFA have issued a <i>Code of Practice on Transport Infrastructure Assets</i> which contains the requirements to be included in the Local Authority Code. This is available to purchase from the CIPFA website.</p> <p>Local authorities should have developed a project plan to identify all of the relevant transport infrastructure they own and a timetable for valuing these. CIPFA expects authorities to have undertaken the 1 April 2015 valuations by 31 December 2015.</p> <p>The Whole of Government Accounts submission includes unaudited data on transport infrastructure assets. 2013/14 data indicates assets of over £400 billion will be accounted for on local authority balance sheets. However, only 93% of authorities provided this information, and of these less than 70% used actual inventory data to complete the return. This indicates that the sector faces a significant challenge in accurately identifying the assets it owns and will have to account for.</p>	<p><i>The Committee may wish to enquire of officers whether a project plan has been developed to address the requirements and review progress against this on a regular basis.</i></p>

Area	Level of Impact	Comments	KPMG perspective
NAO report – Care Act first-phase reforms <div>Page 131</div>	 Low	<p>The NAO's report examines the first phase of the Department of Health's new approach to adult social care, finding that it has been implemented well, but places new responsibilities on local authorities whose core funding is being significantly reduced. This could result in their having to delay or reduce services in the short term if demand for care exceeds expectations, presenting a risk to VFM which needs to be managed.</p> <p>Key findings within the report include:</p> <ul style="list-style-type: none"> ■ The <i>Care Act</i> will increase demand for assessments and services at a time when local authority provision has been falling and the number of people in need is rising. ■ The Department's innovative joint governance with the sector has provided support to implement this challenging legislation. It has provided guidance materials and will give extra support to local authorities. ■ The Department's tight time frame for the sector to act on final guidance and funding allocations has inhibited local implementation planning in some areas. ■ Despite the challenging timetable, of local authorities with adult social care responsibilities, 99% were confident that they would be able to carry out the Care Act reforms from April 2015. However, it will take longer to change the culture. ■ The Department might have underestimated the demand for assessments and services for carers. ■ The Department has learned from the problems it encountered in modelling the cost of Phase 1 and has improved its approach for Phase 2. ■ There is variation in the extent to which individual councils might have been over or underfunded. ■ A significant proportion of the funding which the Department is providing for the Care Act's new burdens is not new money. The Department assumes that £174 million (40%) of Care Act funding will come through the Better Care Fund, from money previously allocated to clinical commissioning group budgets and existing local authority capital grants. ■ If costs exceed expectations, pressures will fall first on individual local authorities. The Department may not have sufficient information and does not have a contingency fund to avoid impacts on services. <p>The full report is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms/</p>	<p><i>The Committee may wish to seek assurances the issues raised in the report are understood and plans in place address the likely impact at their Authority.</i></p>

Area	Level of Impact	Comments	KPMG perspective
NAO report – Local Government New Burdens <div>Page 132</div>	<div>●</div> Low	<p>This report from the NAO considers how well central government has applied the New Burdens Doctrine. This sets out how the government would ensure that new requirements that increased local authorities' spending did not lead to excessive council tax increases. The focus of this report is more on central government but includes findings that may also be of interest to local government bodies.</p> <p>The report is available from the NAO website at www.nao.org.uk/report/local-government-new-burdens/</p>	<p><i>The Committee may wish to review the report to understand what impact this could have at the local government level.</i></p>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015	<p>● Low</p>	<p>With effect from 1 April 2015, certain provisions of the <i>Local Audit and Accountability Act 2014</i> (LAAA 2014) came into force and are applicable to auditors' work for the year 2015/16. Whilst the <i>Audit Commission Act 1998</i> is transitionally saved for audit work on 2014/15, insofar as auditors are engaged in planning work for 2015/16, or possibly considering public interest reports (PIRs) to be made during 2015/16, they need to be aware of the provisions of LAAA 2014 that are already in force.</p> <p>Provisions affecting auditors' work with effect from 1 April 2015 are:</p> <p>1) New duty to publish PIRs on audited bodies' websites</p> <p>Under the new audit regime, there is an emphasis on the publication of relevant information on the relevant authority's website. The following provisions are relevant to auditors carrying out work on 2015/16 if they decide to issue a public interest report during the audit.</p> <p>Under Schedule 7 LAAA 2014, the following matters must be published on the relevant authority's website (if it has one):</p> <ul style="list-style-type: none"> ■ PIRs (relating to the relevant authority or a connected entity); ■ notice of a meeting to consider a PIR/written recommendation; and ■ notice summarising those decisions approved by the auditor as a result of consideration of the PIR/recommendation. <p>Where the relevant authority does not have a website, it is instead generally required to make the relevant publication "in such manner as it thinks is likely to bring the notice or report to the attention of persons who live in its area". This could be, for example, in a local newspaper (as was required in certain cases under the previous legislation).</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015 (continued)	● Low	<p>2) Prohibition on disclosure</p> <p>The prohibition against disclosure that was previously to be found in section 49 of the <i>Audit Commission Act 1998</i> has been repealed and replaced by provisions in Schedule 11 of LAAA 2014. This change has not been transitionally introduced and auditors and local authority bodies need to be aware that this applies to all audits, irrespective of the year. Thus, any reference to the prohibition against disclosure needs to be to Schedule 11 and not section 49. There are no material differences between the two sets of provisions.</p> <p>3) Connected entities</p> <p>LAAA 2014 introduces a new concept into the audit regime, “connected entities”. Connected entities are bodies that are separate to the relevant authority, but are associated with the authority in such a manner that requires the authority to record financial information relating to the entity in its accounts.</p> <p>The full definition of “connect entities” is set out in paragraph 8 of Schedule 4 LAAA 2014.</p> <p>For the purposes of this Act, an entity (“E”) is connected with a relevant authority at any time if E is an entity other than the relevant authority and the relevant authority considers that, in accordance with proper practices in force at that time:</p> <ul style="list-style-type: none"> ■ the financial transactions, reserves, assets and liabilities of E are to be consolidated into the relevant authority's statement of accounts¹ for the financial year in which that time falls; ■ the relevant authority's share of the financial transactions, reserves, assets and liabilities of E is to be consolidated into the relevant authority's statement of accounts for that financial year; or ■ the relevant authority's share of the net assets or net liabilities of E, and of the profit or loss of E, are to be brought into the relevant authority's statement of accounts for that financial year. 	<i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015 (continued) <div>Page 135</div>	 Low	<p>3) Connected entities (continued)</p> <p>Authorities have a number of duties in relation to their connected entities under LAAA 2014 beyond those which are expanded on below:</p> <ul style="list-style-type: none"> ■ Auditors have a right to access documents (at all reasonable times) relating to connected entities, as well as those relating to the “parent” relevant authority. The auditor can inspect, copy or take away documents. The auditor can also require people who are in possession or are accountable for the document (or have been in the past) to provide the auditor with any information or explanation that may be needed, and can require a meeting with such persons. Where a document is stored electronically, the auditor can require assistance from the relevant person at the connected entity or relevant authority in accessing the document. The connected entity must provide the auditor with such facilities and information as are reasonably required to carry out the audit functions. ■ The right to information and explanation, or to require a meeting, extends in relation to connected entities to: <ul style="list-style-type: none"> – any persons elected or appointed to an entity; – any employee of the entity; and – an auditor of the accounts of the entity. <p>Many of the provisions on PIRs and written recommendations in Schedule 7 apply to connected entities. Accordingly, auditors must consider whether a PIR should be made on any matter coming to their attention during the audit and relating to the authority and/or a connected entity. Similarly, an auditor may make a written recommendation to a relevant authority relating to a connected entity.</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015 (continued)	● Low	<p>4) Power to call for information: exception for legally professionally privileged information</p> <p>Section 22(12) LAAA 2014 clarifies that the auditor's right to information and documents cannot be used to compel disclosure of legally privileged information. If a person would be entitled to refuse to produce documents in legal proceedings in reliance on the doctrine of legal professional privilege, they are equally entitled to refuse to provide the relevant information or documents to the auditor. This is a notable new provision and auditors will need to bear this in mind in requesting sight of an audited body's own legal advice. Any provision of such will be voluntary and cannot be compelled.</p>	<i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i>

Area	Level of Impact	Comments	KPMG perspective
NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals	<div>●</div> Low	<p>Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. The report finds it is too early to tell whether the deals will have any overall impact on growth, and that the government and the cities could have worked together in a more structured way to agree a consistent approach to evaluating the deals' impact. There have been early impacts from some of the individual programmes agreed in the deals. It has, however, taken longer for cities and departments to implement some of the programmes that required more innovative funding or assurance mechanisms.</p> <p>The government has set out its ambition to continue devolving responsibility for local growth to cities and other local places. The report highlights that both the government and local places can learn from the experience of Wave 1 City Deals to manage devolution to local places effectively.</p> <p>The report is available on the NAO website www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/</p>	<p><i>The Committee may wish to seek assurances how their Authority fit into the emerging City Deals.</i></p>



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Appendix

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Appendix 1 – 2014/15 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2014	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2015	Complete
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	Fieldwork February/ March 2015 Reported June 2015	Complete
Substantive procedures			
Report to those charged with governance (ISIRI report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2015	On today's Audit Committee agenda
Conclusion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2015	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2015	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2015	TBC



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BARNSELY MBC AUDIT COMMITTEE – INDICATIVE WORK PROGRAMME

	Mtg. No.	3	4	5	6	7	8	1	2
Committee Work Area	Contact / Author	18.09.15	04.11.15	09.12.15	20.01.16	23.03.16	20.04.16	8.06.16	20.07.16
Committee Arrangements									
Committee Work Programme	WW	X	WORKSHOP MEETING	X	X	X	X	X	X
Minutes/Actions Arising	WW	X		X	X	X	X	X	X
Review of Terms of Reference and Self Assessment	RW/CHAIR						X	X	
Training Review and Skills Assessment	RW/CHAIR						X	X	
Review of Terms of Reference & Working Arrangements	FF								
Draft Audit Committee Annual Report	RW/CHAIR	X						X	
Audit Committee Annual Report	RW/CHAIR			X					X
Internal Control and Governance Environment									
Local Code of Corporate Governance	AF/AH					X			
Annual Governance Review Process and Timescales	AF/AH					X			
Draft Annual Governance Statement & Action Plan	AF/AH								X
Multi Agency approach to safeguarding/hubs	DT/AF/FF				X				
Final Annual Governance Statement	AF/AH	X							
AGS Action Plan Update	AF/AH	X		X					
Corporate Whistleblowing Policy Update & Annual Report	RW						X		
Annual Fraud Report	RW							X	
Fraud Management Update	RW			X					
RIPA Update Report	AF/GK				X				
Review of Ombudsman Complaints	AF			X					
Corporate Risk Management									
Risk Management Policy & Strategy	RW/AH						X		
Risk Management Update	RW/AH			X					
Annual Report	RW/AH							X	

	Mtg. No.	3	4	5	6	7	8	1	2
Committee Work Area	Contact / Author	18.09.15	04.11.15	09.12.15	20.01.16	23.03.16	20.04.16	8.06.16	20.07.16
Strategic Risk Register Review Update on risk 3030 & business continuity for IT	RW/AH FF/AH			X - from Nov X			X		
Internal Audit									
Internal Audit Charter & Strategy	RW					X			
Business Units/Trading Bodies – Information brief	NC			X					
Internal Audit Plan	RW					X			
Internal Audit Quarterly Report Benchmarking performance	RW			X – from Nov X	X		X		X
Annual Review of the Effectiveness of Internal Audit	RW							X	
Review of the Effectiveness of Internal Audit - Update	RW			X					
External Assessment of the Internal Audit Function	RW							X	
Internal Audit Annual Report	RW							X	
Corporate Fraud Team - Report	RW	X				X			
Internal Audit (KPMG)									
Annual Governance Report (ISA260 Report)	KPMG	X							
Audit Plan	KPMG					X			
Annual Fees Letter	KPMG					X		X (from 25/3/15)	
Annual Audit Letter	KPMG			X – from Nov					
Grants Letter	KPMG								X
Claims & Returns Annual Report	KPMG				X				
External Audit Progress report & Technical Update	KPMG	X		X	X	X	X		X
Financial Reporting and Accounts									
Budget Proposal Section 25 Report	FF/NC					X			
Draft Statement of Accounts Percentage of debt on year by year basis	FF/NC FF/NC			X					X
Corporate Finance Summary	FF/NC	X							
Corporate Finance and Performance Management & Capital Programme Update	NC	X		X – from Nov		X			
Treasury Management Annual Report	IR	X							

	Mtg. No.	3	4	5	6	7	8	1	2
Committee Work Area	Contact / Author	18.09.15	04.11.15	09.12.15	20.01.16	23.03.16	20.04.16	8.06.16	20.07.16
Treasury Mgt. Policy & Strategy Statement	IR					X			
MRP Options/rationale	IR					X			
MRP Policy Options	NC/IR			X – from Nov					

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