

# The Annual Audit Letter for Allerdale Borough Council

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**Year ended 31 March 2015**

October 2015

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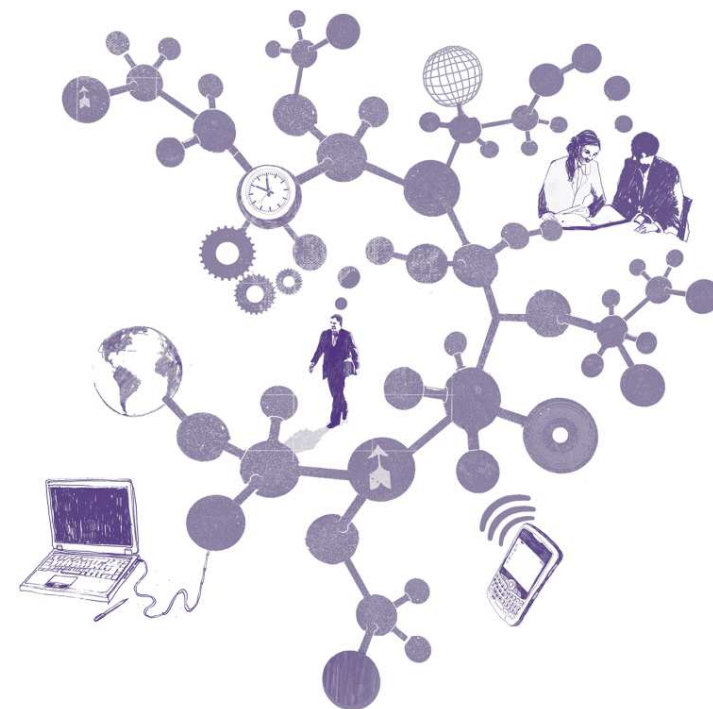
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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Allerdale Borough Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

<b>Financial statements audit (including audit opinion)</b>	<p>We reported our findings arising from the audit of the financial statements of Allerdale Borough Council in our Audit Findings Report on 28 September 2015 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"><li>• the Council had again achieved a high quality standard of financial reporting for 2014/15 in terms of compliance with the CIPFA Code of Practice;</li><li>• working papers were to a high standard, with an effective response time to audit queries; and</li><li>• there were no errors identified in the primary statements of Allerdale Borough Council, and any amendments related to disclosure notes.</li></ul> <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 28 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
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# Key messages continued

<p><b>Value for Money (VfM) conclusion – overall assessment</b></p>	<p>We issued an 'unqualified' VfM conclusion for 2014/15 on 28 September 2015.</p> <p>We are required to give a VfM conclusion based on the following two criteria specified by the Audit Commission; the Council has</p> <ul style="list-style-type: none"> <li>• proper arrangements in place for securing financial resilience; and</li> <li>• proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li> </ul> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>
<p><b>Value for Money (VfM) conclusion – securing financial resilience</b></p>	<p>We have considered the Council's arrangements to secure financial resilience against the following themes:</p> <ul style="list-style-type: none"> <li>• Key financial performance indicators;</li> <li>• Financial governance;</li> <li>• Financial planning; and</li> <li>• Financial control.</li> </ul> <p><b>Key financial performance indicators</b></p> <p>Allerdale Borough Council is generally in the mid range of key financial resilience indicators compared to its CIPFA's benchmark group of councils, with the exception of unallocated financial reserves as a proportion of total net spend in 2013/14. The Council has scope to do further work on improved profiling its use of general fund and earmarked reserves, and to ensure robust assessments are carried out on the impact slippages have on service delivery and Council priority areas.</p> <p>Overall, the Council's level of available reserves and contingencies provide more than the required cover for known financial risks.</p> <p>Sickness absence has increased from the average number of days lost per employee of 9.9 days in 2013/14 to 10.3 days in 2014/15, which is part down to stricter sickness reporting procedures. We acknowledge that, the Council is taking measures to address sickness absence incidents but it needs to closely monitor the impact of this trend in terms of direct costs and on service delivery.</p>

# Key messages continued

## **Value for Money (VfM) conclusion – securing financial resilience continued**

### **Financial Governance**

The Council has a well established approach to financial governance. It has improved the way it reports on performance against the Council Plan and is making good progress on how it reports back out to the communities it serves through the recently launched "My ward" initiative. It is critical that the Council continues to ensure regular on-going open engagement with all the Council's stakeholders especially in the context of the saving plans projected over the coming years.

### **Financial Planning**

The Council has well established budget setting processes but again under-spent against budget in 2014/15. Senior Management Team is working with budget holders to encourage greater involvement and ownership, especially on the maturity of earlier release of known underspends on planned use of reserves.

The Council has a comprehensive approach to identification of savings. The Medium Term Financial Strategy (MTFS) indicates further savings of £2.72m will be required between 2015/16 and 2018/19 and the Council plans to manage this through its Self Sufficiency Plan and the use of general fund balances which stand at £6.97m, as at 31 March 2015.

### **Financial Control**

Through the business planning process, the Council has a good understanding of its costs and performance and considers different ways of bridging the funding gap either through service redesign or additional income generating schemes such as Allerdale Investment Partnership and trade waste contracts.

The Council has made savings of over £2.3m in the last three years and is confident it can, despite a slow start, still deliver the majority of its planned £0.753m savings for 2015/16.

# Key messages continued

## **Value for Money (VfM) conclusion – challenging economy, efficiency and effectiveness**

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources; and
- Improving efficiency and productivity.

### **Prioritising resources**

Senior management and Members work well together developing the Council's priorities and the MTFS. The Council Plan, Delivery Plan and MTFS are at the forefront of the Council's business, through its annual review and via the quarterly reporting of performance against the budget. Members are not afraid to offer challenge and scrutiny when required. The Council continues to challenge the way services are delivered.

The Council's General fund Balance of £6.78m as at 31 March 2014 is significantly higher than its comparator group average of balances at £3.29m. It is critical that the Council does manage the balance of general reserves in prioritising its resources against any future tax revenue increases.

### **Improving efficiency and productivity**

The Council has a proven track record of delivering savings and it has introduced balanced scorecards for all heads of service to monitor what is important for the customers of Allerdale and to allow better service performance monitoring.

The Council's net spend per head of population is £438 in 2013/14 is just above the average for its nearest neighbour group of £419, but 2014/15 planned net current expenditure per head of population of £423 is in line with its comparator group. The main outlier is environmental services is £59.90 spend per head against nearest neighbour average of £42.12 in 2013/14, largely down to the cost of continuing to provide weekly refuse collection and the additional costs associated with serving a largely rural population.

Appendix A outlines the key issues and recommendations from our VfM review including management's response.

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## Key messages continued

<b>Certification of housing benefit grant claim</b>	We will certify the Council's 2014/15 housing benefit subsidy claim by the deadline of 30 November 2015. Work is ongoing and we anticipate we may need to issue a qualification letter.
<b>Audit fee</b>	Our total audit fee for 2014/15 was £81,660, excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix B.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council has scope to do further work on improved profiling its use of general fund and earmarked reserves.</p> <p><b>Recommendation:</b> Improve budget management and monitoring arrangements on the effective planned use of reserves.</p>	Medium	<p>This is a key business objective for Financial Services. Our intention is to create a more customer led business with a clear emphasis on Business Partnering and the department is restructuring to this end.</p> <p>We have already ran an away day for SMT following the initial budget monitoring reports for quarter 1 and a number of recommendations have been implemented, including a wider awareness programme for managers and a review of the Budget Review Group's Terms of reference.</p> <p><b>Responsible officers:</b> Head of Financial Services and Finance Business Partner. <b>Due date:</b> December 2015</p>
2.	<p>Management has noticed slippage against the Self Sufficiency planned savings of £0.753m in 2015/16. Heads of service are targeting the 16 out of 22 project saving areas currently not in line with projections. Additional detailed actions plans are being developed to drive ownership of saving plans which include risk assessments.</p> <p><b>Recommendation:</b> Ensure the new service plans for achieving self sufficiency savings support budget holders to improve the accuracy of in year forecasting and budgeting.</p>	Medium	<p>Following the production of the Q1 budget monitoring, Financial Services staff have devised a template for looking at the existing self-sufficiency projects to identify reasons for why projects are not on track, timing issues and investigate the possibility of bringing forward if possible and also to look at risks and project dependencies.</p> <p><b>Responsible officers:</b> Interim Accountant/ Assistant Accountants. <b>Due date:</b> November 2015</p>



# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	64,170	64,170
Grant certification	17,490	* 17,490
<b>Total audit fees</b>	<b>81,660</b>	<b>81,660</b>

## Fees for other services

Service	Fees £
<b>Non-audit related services</b>	Nil

There is no variation in the actual fee against the planned fee for the 2014/15 audit.

\* Note our grant certification fee is still an estimate as our work on the Council's Housing benefit subsidy claim is still ongoing and will not be finalised until late November 2015.

## Reports issued

Report	Date issued
Audit Plan	26 June 2015
Audit Findings Report	28 September 2015
Annual Audit Letter	26 October 2015



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