

Audit and Corporate Governance Scrutiny Committee Progress Report – March 2019

North East Derbyshire District Council
Year ending 31 March 2019





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AUDIT PROGRESS

Purpose of this report

This report provides the Committee with an update on progress in delivering our responsibilities as your external auditor.

This paper also seeks to highlight at Appendix A key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Audit progress

Since the Committee last met we have:

- held internal planning meetings as part of our planning process for the 2018/19 audit;
- had update meetings with finance in respect of planning for the 2018/19 interim and final audit visits;
- undertaken planning work to refresh our documentation in respect of the Council's systems (including undertaking walkthrough testing);
- gained an understanding of the processes in place at the Council that inform the preparation of the financial statements;
- early substantive testing of transactions (including payroll, journals and property, plant and equipment)
- undertaken our risk assessment as part of planning for our 2018/19 VFM conclusion;
- liaised with Internal Audit; and
- prepared our Audit Strategy Memorandum, which is being presented to the Committee as a separate item at the April 2019 meeting.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

Technical Update

Appendix A includes, for the Committee's information, summaries of recent technical and other sector publications (from Mazars, CIPFA, the NAO and the LGA) which we believe are relevant to your responsibilities. The reports covered in this appendix, and the key messages, are summarised overleaf.

AUDIT PROGRESS (CONT.)

Mazars		
1	New NHS Long Term Plan	In this briefing on the new NHS long-term plan, Mazars have highlighted the implications of the plan for local government and the key questions that local authorities should be considering.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2	Proposed Financial Management Code for Local Government	CIPFA is seeking views on a proposed new Financial Management Code (CIPFA FM Code), which aims to drive improvement in financial management for all local authorities in the United Kingdom.
3	Social Care Risk Tool	CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.
4	CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements	This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting and Guidance Notes. It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes.
National Audit Office		
5	Planning for new Homes	This report is part of a series on housing in England, including Housing in England: overview (2017) and Homelessness (2017). The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.
6	March 2019 Round-up for Audit Committees	This interactive quarterly round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors.
Local Government Association		
7	Twenty-first Century Councils	Toolkit to help councils empower women, parents and carers to become local councillors and take on leadership positions.

Please get in touch if there any reports which you would like to discuss further with the Mazars audit team

APPENDIX A – TECHNICAL UPDATE

Background

This appendix includes, for the Committee’s information, summaries of recent technical and other sector publications (from Mazars, CIPFA, the NAO and the Local Government Association) which are relevant to your responsibilities. Please get in touch if there are any reports which you would like to discuss further.

1. Summary of NHS long-term plan, Mazars, January 2019

To support local planning, local health systems will receive five-year indicative financial allocations for 2019/20 to 2023/24 and be asked to produce local plans for implementing the commitments set out in the NHS Long Term Plan. But what does it mean for local government?

Relationships between the NHS and local government could be more challenging since the direct and significant financial relationship with the NHS through the Better Care Fund is facing an overhaul and the extent of structural overhaul facing the NHS, through the advancement of Integrated Care Systems, requires time and effort. We have set out below the significant points for local government to consider.

Theme	Key features	Implications and questions for local government
System Architecture and Planning	<p>Integrated Care Systems (ICS) will be everywhere by April 2021 with the “triple integration’ of primary and specialist care, physical and mental health services, and health with social care” at a place level with commissioners sharing decisions on planning with providers. Each ICS will have a single set of commissioning decisions at the system level. This will typically involve a single Clinical Commissioning Group (CCG) for each ICS area with CCGs to become leaner, more strategic organisations working with partners, population health, service redesign and delivery of the plan.</p> <p>ICS constitution will involve a partnership board consisting of commissioners, trusts, primary care networks, non-executive chair and an accountable Clinical Director for each Primary Care network. There will also be a new ICS accountability and performance framework to provide a consistent and comparable set of performance measures. It will include a new ‘integration index’ to measure how joined up the system is. This is interesting as it’s the public voice.</p>	<p>Integrated Care Systems will have a key role in working with local authorities at the ‘place’ level and, through the ICS governance structure, commissioners will make shared decisions with providers on how to use resources, design services and improve population health.</p> <p>A review and revision of the Better Care Fund may have direct financial implications for local authorities, particularly those arrangements where some Better Care Fund streams are used as support funding for social care services. The NHS Plan does recognise social care in terms of pressures it may create on the NHS and the need to continue to support local measures to address rising demand and costs through pooled budgets, personal health and social care budgets and cites the example of the NHS overseeing a pooled budget with a joint commissioning team (Salford model), where the Council Chief Executive is the accountable officer. A Green Paper is expected to provide further clarity.</p>
Prevention and Inequalities	<p>From April 2019, Clinical Commissioning Groups (CCGs) will receive a health inequalities funding supplement, with the possibility of the commissioning of public health services, e.g. health visitors, school nurses, sexual health etc., to return to the NHS.</p> <p>A planned £30million investment in rough sleepers.</p>	<p>The onus to reduce health inequalities falls to local authorities with the NHS as support. How / will funding flow into local authorities via CCGs or will we need to wait until the next spending review? Investment in the health of rough sleepers is a short-term fix – the wrap around is for local authorities to work on housing, mental health, care and employment.</p>

APPENDIX A – TECHNICAL UPDATE (CONT.)

Theme	Key features	Implications and questions for local government
<p>Out of Hospital Care - Primary/Community Services</p>	<p>There will be a greater proportionate level of investment in Primary care and Community Health Services: with ringfenced local funding equivalent to a £4.5billion increase by 2023/24.</p> <p>In return, the NHS Plan is expecting: Fully integrated community support with training and development of multidisciplinary teams in primary and community hubs, including community hospitals.</p> <p>Integrated teams of GPs, community services and social care. Urgent response and recovery support will be delivered by flexible teams working across primary care and local hospitals, including GPs, allied health professionals, district nurses, mental health nurses, therapists and reablement teams.</p> <p>More support for Care Homes to address hospital admissions and sub-optimal medication, with an Enhanced Care in Care Homes vanguard model is to be adopted that aims to improve the links between Care Homes and Primary Care through a consistent healthcare team and named practice support, pharmacist led medication reviews, emergency support, and access to records.</p>	<p>When care transfers into the community, there is an increasing need to manage the multiagency points of contact. Having integrated teams implies local authority care workers working alongside private sector GPs and NHS staff: how will referrals, care pathways and advice on alternative services, for example housing, be managed? This also raises the need for some joined up thinking over estates management and the infrastructure of public service assets – where should teams be based?</p> <p>Local authority supply management of care homes becomes more challenging: the resilience of local market is stretched with the cost of care not always making provision financially viable – will any additional funding merely bring back some stability falling short of ambitions for Enhanced Care?</p> <p>Technology becomes increasingly important including considerations for secure data sharing between organisations. Proposals to support advances in home wearables/monitoring technology to predict hospital admission, linked to smart home technology create new forms of the same challenge: who monitors the data and who is it shared with for the person's best interests?</p> <p>With an increase in social prescribing and personal health budgets, local authorities, including park authorities, can provide support through existing provision of leisure and community services. How can you create community engagement and healthier lifestyles?</p>
<p>Urgent/ Emergency Care</p>	<p>The goal is to achieve and maintain an average Delayed Transfers of Care figure of 4,000 or fewer delays. This aims to be achieved by placing therapy and social work teams at the beginning of the acute hospital pathway, with an agreed clinical care plan within 14 hours of admission that includes an expected date of discharge.</p>	<p>A direct and an indirect impact to local authorities for those residents in care or living in local authority housing. There becomes an increasing need for local authorities to dexterously call on partners across the local authority boundary, including the use of existing disabled facilities grant funding, to ensure people can return home safely.</p> <p>The Stoke-on-Trent based Revival Home from Hospital service is working at record levels and is saving the NHS almost £500,000 a year. The service helps people to get home from hospital as quickly as possible by making sure their homes meet their health needs.</p>

APPENDIX A – TECHNICAL UPDATE (CONT.)

Theme	Key features	Implications and questions for local government
Elective Care	An NHS Personalised Care model and expansion of Personal Health Budgets, for example bespoke wheelchairs and community-based packages of personal and domestic support, mental health services, learning disabilities, and those people receiving social care support. There is expected to trained social prescribing professionals connecting people to wider services.	Who is best placed to provide advice on connecting people to wider services? Who is well placed to deliver connected services and is there more space for framework contracts of approved providers for people to draw down from?

A summarised version of the Plan is available to download from our website:

<https://www.mazars.co.uk/Home/Industries/Public-Services/Health/NHS-Long-Term-Plan-summary>

APPENDIX B – TECHNICAL UPDATE (CONT.)

CIPFA

2. CIPFA's Proposed Financial Management Code for Local Government (March 2019)

CIPFA is seeking views on a proposed new Financial Management Code (CIPFA FM Code), which aims to drive improvement in financial management for all local authorities in the United Kingdom.

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, has not been supported by a professional code. CIPFA is now proposing that a Financial Management Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code would therefore for the first time set standards of financial management for local authorities in the UK.

The draft FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered by CIPFA necessary to provide the strong foundation within local authorities to enable them to:

- financially manage the short-, medium- and long-term finances
- manage financial resilience to meet foreseen demands on services
- financially manage unexpected shocks in their financial circumstances.

The draft FM Code is similar to other CIPFA codes and statements in that it is based on principles rather than prescription. Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the FM Code are being satisfied. The draft FM Code is not expected to be considered in isolation, and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making.

To date, the draft FM Code has been developed with a specified governance process which includes practitioners, auditors and representatives of governments across the UK. It was then 'road tested' by a range of local authorities to provide early evidence of both practicality and fitness for purpose. Now, CIPFA is seeking to consult more widely and consequently invites comments on the draft FM Code.

Demonstrating this compliance with the CIPFA FM Code is regarded as the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

The consultation document and response sheet can be downloaded at the following links:

https://www.cipfa.org/~media/files/policy%20and%20guidance/consultations/cipfa_financial_management_code_draft_v10_consultation_version.pdf?la=en

https://www.cipfa.org/~media/files/policy%20and%20guidance/consultations/fm_code_consultation_questions_final.docx?la=en

APPENDIX B – TECHNICAL UPDATE (CONT.)

CIPFA

3. Social care risk tool (February 2019)

CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

The risk tool is available on CIPFA's website:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

4. CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements

This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes. The updates include:

- Further practical guidance on the implementation of IFRS9 (financial instruments) and IFRS15 (revenue);
- Disclosure requirements and streamlining the accounts;
- EU Withdrawal (Brexit);
- Guaranteed Minimum Pensions; and
- Accounting standards that have been issued but not yet adopted.

The bulletin can be downloaded at the following link:

https://www.cipfa.org/-/media/files/policy%20and%20guidance/cipfa%20bulletins/cipfa_bulletin_03_closure_2018_19_final.pdf?la=en

APPENDIX B – TECHNICAL UPDATE (CONT.)

National Audit Office (NAO)

5. Planning for new homes (February 2019)

The NAO has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The data and the original March 2018 report can be found at the following link:

<https://www.nao.org.uk/report/planning-for-new-homes/>

6. Round-up for Audit Committees (March 2019)

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors. This round-up is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. It includes an introduction by Sir Amyas Morse, Comptroller and Auditor General, and draws particular attention to publications most useful for governance, oversight and risk management. It is published each autumn and spring, covering NAO publications over the previous six months.

The detailed report can be found at the following link:

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

Local Government Association

7. Twenty-first century councils (March 2019)

This toolkit has been developed to help councils create the underlying policies, procedures, ethos and environment that encourages and empowers women, parents and carers to become local councillors and take on leadership positions. The Local Government Association is encouraging councils to consider their existing practices, celebrate what is working, share good practice and take action to support councillors who are women, parents and carers. The equal participation of women and men in local politics, as our elected councillors and as our leaders, is an important condition for effective democracy and good governance. Representative councils are best able to speak to, and for, their communities and to support the effective business of local government. Democracy and decision-making are strengthened when councillors reflect the people they seek to serve and represent.

<https://www.local.gov.uk/twenty-first-century-councils>

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