

**Report to Audit and Governance
Committee**

**Report Reference: AGC-013-2012/13
Date of Meeting: 7 February 2013**



**Epping Forest
District Council**

Portfolio: Finance and Economic Development

Subject: Audit Commission National Local Government Reports and Studies

Responsible Officer: Steve Tautz (01992 564180)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That the Committee consider national local government reports and studies recently published by the Audit Commission, and to identify any appropriate action for the Council, to address implications arising from recommendations made by the Commission.

Executive Summary

This report provides details of national local government reports and studies recently published by the Audit Commission, that are relevant to the Council's responsibilities, functions or areas of service provision.

Reasons for Proposed Decision:

National local government reports and studies published by the Audit Commission are routinely presented to the Audit and Governance Committee, in order to ensure that any implications arising for the Council are identified, and that appropriate action is considered.

Other Options for Action:

No other options are appropriate in this respect. Failure to consider best practice approaches and recommendations identified by the Audit Commission, or to take corrective action where necessary, could have negative implications for the Council's reputation and for judgements made about the progress or governance of the authority.

Report

1. The Audit Commission's national studies programme aims to improve local public services through an independent authoritative analysis of national evidence and local practice. The Commission has a duty to undertake studies designed to make recommendations for improving the economy, efficiency and effectiveness of certain bodies, and to improve the financial and other management of local public bodies. The Commission's national reports address strategic issues affecting specific sectors as well as the public sector as a whole, identifying practice that works, highlighting emerging findings and examining national trends to influence local practice and national policy.

2. The Audit and Governance Committee receives all national local government reports and studies published by the Audit Commission, that are of relevance to the Council's responsibilities, functions or areas of service provision. Relevant reports and studies published by the Commission are also initially considered by the Corporate Governance Group, in order to identify implications or possible action for the Council arising from findings highlighted or recommendations made by the Commission.

3. The following relevant local government reports and studies have recently been published by the Audit Commission. The Corporate Governance Group was due to consider these reports on 30 January 2013, and its views in respect of the findings of the Commission will therefore be reported at the meeting of the Committee.

'Tough Times 2012' - Councils' responses to a challenging financial climate (November 2012)

4. This is the second report in the Commission's annual 'Tough Times' series. The report finds that in 2011/12, councils largely delivered their planned savings and in many cases added to reserves. However, auditors reported that signs of financial stress were visible, and a sizeable minority of councils had to make additional in-year cuts, seek additional funding, or restructure efficiency programmes in order to deliver budgets.

5. The report says that auditors are concerned that 12% of councils are not well-placed to deliver their 2012/13 budgets. The Commission feels that a further 25% will cope in 2012/13, but may struggle in the remaining years of the current Spending Review period.

6. Extracts from the report reflecting the Audit Commission's summary of its findings, are attached as Appendix 1. The full report is available on the Commission's website, at:

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/20121122toughtimes2.pdf>

'Striking A Balance' - Improving councils' decision making on reserves (December 2012)

7. This report presents the Audit Commission's findings from research on the level of reserves that councils hold, and on the decisions that authorities make relating to their reserves.

8. The report encourages councils to focus more attention on the £12.9 billion set aside in their reserves, the equivalent of nearly a third of their net spending on services in 2011/12. While it finds that councils routinely consider reserves as part of their annual budget setting, the report calls for officers to offer elected members clearer and more comprehensive advice, equipping them to make better-informed decisions. It also calls for greater clarity from councils about the reasons for holding reserves.

9. Extracts from the report reflecting the Audit Commission's summary of its findings and recommendations for further action, are attached as Appendix 2. The full report is available on the Commission's website, at:

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/strikingabalance.pdf>

'Auditing The Accounts 2011/12' - Quality and timeliness of local public bodies' financial reporting (December 2012)

10. This report summarises the results of auditors' work for 2011/12 at councils, fire and rescue authorities, police bodies, other local government bodies, parish councils and internal drainage boards. The report covers the timeliness and quality of financial reporting and summarises:

- auditors' work on the 2011/12 financial statements;

- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2011; and
- the key financial reporting and financial management challenges facing bodies for 2012/13.

11. The Commission has reported that auditors were able to issue the audit opinion by 30 September 2012 at 98% of councils, all fire and rescue authorities, 97% of police bodies, all other local government bodies, 97% of parish councils and 97% of internal drainage boards. This is an improvement for all types of body compared with 2010/11. Eleven principal bodies received an unqualified audit opinion by 31 July 2012 and published their audited accounts promptly. At the date of the publication of the report, no principal bodies had received a qualified audit opinion on the 2011/12 accounts, which is a considerable achievement. The overwhelming majority of small bodies (93% of parish councils and 95% of internal drainage boards) received an unqualified opinion on their 2011/12 annual return by 30 September 2012.

12. Extracts from the report reflecting the Audit Commission's summary of its findings, are attached as Appendix 3. The full report is available on the Commission's website, at:

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/ata1112.pdf>

13. The Committee is requested to consider these Audit Commission reports and studies, and to identify any appropriate action to address implications arising from recommendations made by the Commission.

Resource Implications:

Resource requirements arising from specific actions to implement best practice or recommendations made by the Audit Commission will be identified separately.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from the recommendations of this report, which ensure that the Council considers best practice and approaches identified by the Audit Commission.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations of this report in respect of the Council's commitment to the Climate Local Agreement, the corporate Safer, Cleaner, and Greener initiative, or any crime and disorder issues within the district. Implications arising from the implementation of any recommendations made by the Audit Commission will be identified separately.

Consultation Undertaken:

The local government reports and studies recently published by the Audit Commission have been considered by the Corporate Governance Group. The views of the Corporate Governance Group in respect of the findings of the Commission, will be reported to the Committee.

Background Papers:

Audit Commission national local government reports and studies - 'Tough Times 2012' (November 2012)';

'Striking A Balance' (December 2012); and
'Auditing The Accounts 2011/12' (December 2012).

Impact Assessments:

Risk Management

Failure to consider recommended approaches and best practice identified by the Audit Commission, or to take corrective action where necessary, could have negative implications for the Council's reputation and for judgements made about the progress or governance of the authority. Risk management issues arising from the implementation of recommendations made by the Audit Commission, will be identified separately.

Equality & Diversity

There are no equality issues arising from the recommendations of this report, which ensure that the Council considers recommended approaches and best practice. Equality implications arising from the implementation of recommendations made by the Audit Commission will be identified separately.