



COUNCIL: 14<sup>th</sup> December 2016

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**Report of: Borough Treasurer and Transformation Manager**

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**SUBJECT: APPOINTMENT OF EXTERNAL AUDITORS AND BUDGET UPDATE**

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Wards affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

1.1 To provide an update on a range of governance and budget matters.

## **2.0 RECOMMENDATIONS**

- 2.1 That the Council accepts Public Sector Audit Appointments' invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.
- 2.2 That the use of the Borough Treasurer's delegated authority to implement the new Living Wage level of £8.45 per hour from 1<sup>st</sup> December 2016 be noted.
- 2.3 That funding of up to £25,000 be approved from the Major Projects Reserve towards works at Abbey Lakes, Up Holland if required.
- 2.4 That the existing Council Tax Support Scheme be continued for the next financial year.
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## **3.0 BACKGROUND**

3.1 This report covers a range of different matters including new rules for the appointment of external auditors, a number of current year budget issues, and the Local Council Tax Support Scheme.

- 3.2 The current system for appointing external auditors to local authorities comes to an end after the 2017/18 financial year. Consequently the Council now needs to consider what arrangements to put in place for appointing its external auditors for 2018/19 onwards.
- 3.3 The Government abolished the national scheme of Council Tax Benefit with effect from April 2013 and now requires that local authorities put in place a local Council Tax Reduction Scheme, more commonly known as a Council Tax Support (CTS) scheme. This requires each Council tax billing authority to design its own scheme to administer Council Tax Support, working within a framework set out in legislation. Each financial year the Council must consider whether to revise its existing scheme or replace it with another scheme. If it chooses to revise its existing scheme, or replace that scheme with another scheme, it must do so no later than 31 January in the financial year preceding the financial year the scheme is to have effect.

#### **4.0 APPOINTMENT OF EXTERNAL AUDITORS**

- 4.1 The Local Audit and Accountability Act 2014 has introduced new rules that require the Council to make decisions about how its external auditors should be appointed. These decisions need to be made by December 2017 so that an auditor is in place before the start of the 2018/19 financial year. There are three main routes that can be used to make this decision as follows:
- Establish an independent auditor panel to make the appointment;
  - Join with other authorities to establish a joint auditor panel constituted wholly or with a majority of independent appointees;
  - Opt into a sector led body that will make appointments on behalf of its member authorities. This sector led body is called Public Sector Auditor Appointments (PSAA), which is as an independent, not-for-profit company limited by guarantee and established by the Local Government Association.
- 4.2 PSAA is inviting the Council to opt in, along with all other authorities, so that it can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor. PSAA has wide support across local government and many authorities are expected to choose this route. A sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than any procurement undertaken locally. More specifically:
- The audit costs are likely to be lower than if the Council sought to appoint locally, as national large-scale contracts are expected to drive keener prices from the audit firms;
  - Without the national appointment, the Council would need to establish a separate independent auditor panel, which would involve an additional resource requirement;
  - PSAA can ensure the appointed auditor meets and maintains the required quality standards and can manage any potential conflicts of interest more easily than the Council;

- Supporting the sector-led body will help to ensure there is a vibrant public audit market for the benefit of the whole sector and this Council going forward into the medium and long term.

4.3 Not all audit firms will be eligible to compete for the work, as they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. Currently, there are only nine providers that are eligible to audit local authorities and other relevant bodies, all of these being firms with a national presence. This means that local firms could not be invited to bid.

4.4 The Council's current external auditors are Grant Thornton and their annual audit fee is £43,746. The fees under the new approach will not be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms.

## **5.0 CURRENT YEAR BUDGET ISSUES**

5.1 The Council currently offers a supplement to its staff to ensure their earnings are at the Living Wage threshold as a minimum level. Each year the Living Wage Foundation announces any changes to this wage as part of its Living Wage week at the start of November. This year it has been announced that the level of the Living Wage should increase from £8.25 per hour to £8.45 per hour.

5.2 The Borough Treasurer has used his delegated authority to implement this increase in the Voluntary Living Wage from 1st December. This change will benefit 32 mostly part time staff and will result in an additional cost of just over £2,000 this year.

5.3 Abbey Lakes is a small lake on the boundary of Up Holland and Orrell, and the West Lancashire and Wigan Districts. The lake is in private ownership but leased to West Lancashire Borough Council to increase the level of informal recreation provision for the local community in the Up Holland area. There have been a number of issues with water levels at this site as a result of heavy rainfall and investigatory work is being undertaken to examine these matters. Consequently it is proposed to allocate a budget of up to £25,000 for works to address this position should it be needed. The cost of any works identified as being necessary can be funded from the Major Projects Reserve, and will ensure that we continue to meet our responsibilities for this site.

## **6.0 LOCAL COUNCIL TAX SUPPORT SCHEME**

6.1 The Council agreed its local CTS scheme in December 2012, and this scheme has been in operation since that time. The main feature of this scheme is that it calculates CTS in line with the previous Council Tax Benefit system but then applies a percentage reduction of 22% for claimants of working age, which was designed to reflect the reduction in government funding for CTS. Full details on the scheme can be found on the Council's website using the following link:

<http://www.westlancs.gov.uk/bills-benefits/benefits/council-tax-support.aspx>

6.2 The CTS scheme complies with statutory requirements and operates in an effective manner, and consequently no revisions are proposed to this scheme for the next financial year. Any values in the scheme will though be updated to reflect changes in national benefit figures in line with our standard practices.

## **7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

7.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

## **8.0 RISK ASSESSMENT**

8.1 The Council must appoint an external auditor in accordance with the new framework and must ensure that this process delivers good value for money. These risks are considered best mitigated by opting in to the sector led approach through PSAA.

8.2 The Council must agree a CTS scheme by the 31<sup>st</sup> January before the start of each financial year, and if it does not a default government scheme must be implemented.

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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

These decisions do not have any direct impact on members of the public, employees, elected members and / or stakeholders, or have been the subject of previous reports. Therefore no Equality Impact Assessment is required.

### **Appendices**

None