

Wolverhampton City Council

**OPEN INFORMATION ITEM**

Audit Committee

Date 8 July 2013

Originating Service Group(s)

**DELIVERY**

Contact Officer(s)/

**MARK TAYLOR**

Telephone Number(s)

**6609**

Title

**EXTERNAL AUDIT UPDATE REPORT 2012/13**

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**SUMMARY**

That the report be received.

## **EXTERNAL AUDIT UPDATE REPORT**

### **1. PURPOSE**

- 1.1 The Council's external auditors, PricewaterhouseCoopers (PwC) presented their 2012/13 Audit Plan to the Audit Committee on 11 March 2013. The purpose of the report attached at Appendix 1 is to:
- update Councillors on their progress in delivering their Audit Plan;
  - update Councillors on their view of the progress of the closedown process;
  - inform Councillors of the results of their review of the work of Internal Audit;
  - inform Councillors about some recent publications from PwC's Public Sector Research Centre.

### **2. BACKGROUND**

- 2.1 Representatives from PwC will be in attendance at the meeting to present their report and to respond to Councillors' questions.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications arising directly from PwC's report. The costs are included within the agreed annual fee for provision of external audit services.

[DK/28062013/O]

### **4. LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising from this report.

[MW/01072013/D]

### **5. EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 There are no equal opportunities implications arising from this report.

### **6. ENVIRONMENTAL IMPLICATIONS**

- 6.1 There are no environmental implications arising from this report

### **7. SCHEDULE OF BACKGROUND PAPERS**

External auditor working papers and reports, PricewaterhouseCoopers

External Audit Plan 2012/2013 (Report to Audit Committee 11 March 2013)

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# *Wolverhampton City Council*

## External Audit Update Report 2012/13

Government and Public  
Sector

June 2013

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*In March 2010 the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s [website](#). The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.*

# Section 1 - Introduction and Executive Summary

## Introduction and Executive Summary

The key messages from our work to date are as follows:

Audit Area	RAG	Comments
Risk based work (per Audit Plan)	<b>Green</b>	<p>We are making good progress against our plan.</p> <p>We completed our interim audit during April, in line with agreed timescales.</p> <p>Management provided the majority of information requested on a timely basis, and key individuals made themselves available to our team during our visit.</p> <p>We progressed our audit work in a number of areas, both in our understanding and validation of controls and our early testing of accounting transactions. In evaluating the effectiveness of key controls we identified no significant or material control weaknesses. We are, therefore, able to continue our controls-based audit in line with our initial plan.</p> <p>We are in the process of reviewing your IT General Controls, and will complete this work before final audit testing of transactions.</p>
Review of the Council's closedown plans	<b>Green</b>	<p>Your finance team continue to work hard to ensure a smooth closedown process. We have no significant concerns to report.</p> <p>As in previous periods, the final accounts audit process will test how effective these arrangements have been.</p>
Review of the work of Internal Audit	<b>Green</b>	<p>We reviewed the work of internal audit and are able to place reliance in all planned areas. We have also been able to rely on the controls within the Council's key financial systems as planned.</p> <p>We held a debrief meeting with internal audit to share our wider observations and further streamline the managed audit process.</p>

### Key

**Red** - significant improvements required

**Amber** - some improvements required

**Green** - no or some minor improvements required.

The following sections set out in further detail our progress in delivering our plans.

# Section 2 – Audit Plan risk update

## Update on risks – Financial Statements

We set out below our progress in responding to the risks we identified in our Audit Plan (as presented to the Audit Committee in March 2013):

<i>Risk</i>	<i>Progress and issues noted</i>	<i>Remaining action</i>
<p><b>Fraud and management override of controls</b></p> <p>● - <b>Significant risk</b></p> <p>ISA (UK&amp;I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements. In your organisation, as the pressure to deliver savings increases, so does the risk of management override.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>considered the design and operating effectiveness of key controls within significant financial processes (including cash, creditor payments and payroll);</li> <li>reviewed the Council's draft accounting policies; and</li> <li>reviewed the Council's processes for raising and approving journals;</li> </ul> <p>We have engaged our data assurance team to analyse the Council's journals listings to identify higher risk transactions to test.</p> <p>We are also in the process of completing the following IT specific work:</p> <ul style="list-style-type: none"> <li>detailed testing of financially significant IT systems which underpin the Council's accounts; and</li> <li>testing financial system access controls.</li> </ul> <p>Based on our work to date:</p> <ul style="list-style-type: none"> <li>we have identified no significant or material weaknesses; and</li> <li>there are no issues that should impact on our planned audit approach.</li> </ul> <p>In addition, we have discussed some of the key areas of accounting judgement with the finance team as part of our interim audit visit, in particular the Council's approach to valuing its land and buildings, the proposed treatment of provisions and other key estimates within the accounts.</p>	<p>We will perform final accounts audit procedures to:</p> <ul style="list-style-type: none"> <li>test the appropriateness of journal entries and other adjustments;</li> <li>review accounting estimates for biases;</li> <li>evaluate the business rationale underlying significant transactions;</li> <li>test exceptional and unusual items highlighted by the Council's bank account (and other) reconciliations; and</li> <li>perform unpredictable procedures.</li> </ul>

<p><b>Revenue recognition (of income and non-pay expenditure)</b></p> <p>● - <b>Significant risk</b></p> <p>Under ISA (UK&amp;I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition, we extend this assessment to expenditure recognition.</p> <p>There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to a material misstatement in the reported revenue position.</p> <p>Given that the Council is experiencing increased pressured on many of its budgets as economic conditions have worsened, there is the potential for budget holders to feel under more pressure to push costs into future periods, or to miscode income and expenditure.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the work of internal audit relating to the income , debtors, expenditure and creditors business processes;</li> <li>considered the design and operating effectiveness of key controls operating in each of these processes; and</li> <li>reviewed the Council’s draft accounting policies relating to income and expenditure.</li> </ul> <p>We have discussed with management our proposed approach to testing specific income and expenditure streams. We have refined our testing approach as a result, to ensure a greater focus on the areas of greatest risk. Testing is to be completed during our final accounts audit.</p> <p>Based on our work to date:</p> <ul style="list-style-type: none"> <li>we have identified no significant or material weaknesses; and</li> <li>there are no issues that should impact on our planned audit approach</li> </ul>	<p>As part of our final accounts audit we will perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>Our testing will include procedures in relation to:</p> <ul style="list-style-type: none"> <li>the appropriateness of journal entries and other adjustments;</li> <li>income and expenditure cut off; and</li> <li>reviewing the accounting estimates for income, expenditure, deferred revenues and provisions.</li> </ul>
<p><b>Valuation of properties</b></p> <p>● - <b>Significant risk</b></p> <p>Property, plant and equipment (PPE) is the largest balance in your balance sheet. You value your properties at fair value using a range of assumptions and the advice of internal and external experts.</p> <p>We have to consider how expertise is used, how your processes ensure the balance is fairly stated, and your assumptions.</p> <p>Specific areas of risk include:</p> <ul style="list-style-type: none"> <li>asset valuation data may be inaccurate or incomplete;</li> <li>the Council’s valuation assumptions may not be appropriate;</li> <li>assets’ actual market value may fluctuate materially but may not have been re-valued in the accounts; and</li> <li>capital expenditure may not be accurately allocated between enhancing and non-enhancing.</li> </ul>	<p>We have held discussions with the finance team to understand the approach to revaluing the Council’s estate in 2012/13.</p> <p>We have engaged our internal valuation specialists to ensure appropriate input into the process.</p> <p>We have reviewed the Council’s draft accounting policies with respect to the measurement and valuation of property, plant and equipment assets and identified no concerns.</p> <p>We have also considered controls in place to ensure the completeness and accuracy of asset values within the accounts. This has included following up control issues raised during the 2011/12 audit.</p> <p>Based on our work to date:</p> <ul style="list-style-type: none"> <li>we have identified no significant or material weaknesses; and</li> <li>there are no issues that should impact on our planned audit approach.</li> </ul>	<p>As part of our final accounts audit we will:</p> <ul style="list-style-type: none"> <li>review and validate the key judgements, assumptions and supporting data used;</li> <li>assess the reasonableness of any estimation techniques applied; and</li> <li>review the expertise of your internal valuer.</li> </ul> <p>Where assets are not re-valued in year we will discuss with you the steps you have taken to ensure that your balance sheet is materially accurate at the year end.</p>

<p><b>Provision for Equal Pay</b></p> <p>● - <b>Elevated risk</b></p> <p>As in previous years, the Council is expected to include a provision in the accounts to reflect its liability for Equal Pay and back pay claims.</p> <p>Over the last four years the Council has received notification of employment tribunal claims against the Council alleging breach of Equal Pay legislation. The Council has engaged Solicitors to provide legal advice and conduct proceedings on behalf of the Council in relation to these claims.</p> <p>On the basis of the advice provided and the information available the Council concluded that at 31 March 2012 the most probable liability was £30 million. This figure reflected known claims as well as other potential claims.</p>	<p>We have updated our understanding of the Council's arrangements for managing these matters through discussion with key officers.</p> <p>The Section 151 Officer has kept us updated on developments regarding the Council's efforts to settle its outstanding equal pay liabilities.</p> <p>We have reviewed the Council's draft accounting policies with respect to the recognition of related expenditure and the measurement and valuation of related liabilities, and have no concerns to report.</p>	<p>During our final accounts audit we will:</p> <ul style="list-style-type: none"> <li>● test whether payments, journal entries and other adjustments in the financial statements relating to Equal Pay are materially accurate and whether they meet relevant financial reporting standards.</li> <li>● seek confirmation on these matters from the Council's legal advisors.</li> <li>● review and challenge assumptions made by the Council regarding relevant case law and the associated implications for the Council's provision.</li> </ul>
<p><b>Trading Surpluses and internal charging</b></p> <p>● - <b>Normal risk</b></p> <p>In 2010/11 we reported that your trading areas, particularly Catering and Cleaning services, were consistently reporting large surpluses within the financial statements.</p> <p>During 2011/12 another large surplus position (£2.6m) was recorded.</p> <p>We have discussed with management the risk that inaccurate charging could represent a transfer of resources between services.</p> <p>The Council is currently undertaking its own review of how it records trading income and expenditure, including how it apportions overhead costs.</p>	<p>We have discussed progress made in reviewing internal charging with management.</p> <p>We have also reviewed the Council's draft accounting policies with respect to the treatment of trading accounts, and have no concerns to report.</p>	<p>We will review the outputs of the Council's internal review during our final audit, and will consider the implications for the accounts disclosures, our audit and also our VfM conclusion.</p> <p>We will discuss with the Section 151 Officer the outcome of this work and agree what, if any, further work is needed by us.</p>



<p><b>Treasury Management Accounting Practices</b></p> <p>● - <b>Normal risk</b></p> <p>As a response to the new Housing Revenue Account (HRA) Self-Financing regulations and budgetary pressures on the general fund, the Council has taken the opportunity to develop new methods of calculating interest charges and to revisit the current methods of financing capital expenditure to ensure they remain most appropriate for the Council.</p> <p>The Council has developed new methods for splitting interest costs between the HRA and the General Fund.</p> <p>The Council has also revisited how it calculates and records an appropriate Minimum Revenue Provision (MRP).</p> <p>The adoption of different methods can have a significant impact on the in-year financial outturn and the MTFS for both the general fund and the HRA.</p> <p>As with any accounting change or judgement there is a risk that the new treatment may be in contravention of the relevant accounting standards.</p>	<p>We have held discussions with the finance team to understand the revised approach proposed for calculating and apportioning interest charges between HRA and General Fund, as well as to determine the annual MRP charge.</p> <p>We have understood the new methods that are proposed and reviewed them against the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and other sector guidance.</p>	<p>At the time of drafting this report we are finalising our internal consultation regarding the Council’s proposed changes and will communicate our conclusions shortly.</p>
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**Additional support on your Accounts Closedown Plan**

Within our 2012/13 audit plan we noted considerable improvements made to the Council’s accounts closedown process during 2011/12. We also recognised the remaining risk that with competing demands for resources in the Corporate Finance team the accounts closedown and audit timetable may not be properly planned, executed and / or monitored effectively.

As planned, we have held regular meetings with the finance team during the year to monitor progress and review closedown plans. We have met regularly with the Section 151 Officer to discuss progress and feedback our observations. We have no concerns to report here; the finance team has made strong progress against closedown plans and appears in a good position for the accounts production and audit process.

We will continue to monitor performance in this area during the working paper and audit preparation process.

## Update on risks - Other Audit Code responsibilities

<b>Risk</b>	<b>Progress and issues noted</b>	<b>Remaining action</b>
<p><b>Savings Plans and the Medium Term Financial Strategy</b></p> <p>The Council has recently updated its Medium Term Financial Strategy (MTFS). This shows that (before new savings proposals are taken into account) the projected cumulative budget deficit amounts to £59.18 million over the next five years and this already assumes the successful delivery of savings amounting to £38.630M over five years and £28.517M over the next two years.</p> <p>This represents a significant financial challenge.</p> <p>We also note that the 2013/14 budget is in balance only after the use of £3.716M of general balances and the successful delivery of £17.3M.</p> <p>There are a number of significant risks associated with the 2013/14 budget and the wider MTFS including:</p> <ul style="list-style-type: none"> <li>• Identified savings options may not be achieved;</li> <li>• Further efficiency savings may not be identified;</li> <li>• Spending may exceed budgets and/or income may fall short of budgets;</li> <li>• Inflationary pressures may increase,</li> <li>• Demand for council services may exceed estimates; and</li> <li>• Future finance settlements may vary from current assumptions.</li> </ul> <p>Effectively managing the above risks is critical to Council's future financial resilience and therefore a key part of our assessment on your arrangements for securing economy, efficiency and effectiveness in the use of Council resources.</p>	<p>We have reviewed your updated MTFS and its key assumptions. We benchmarked the assumptions you made in the following areas against our national portfolio of audit clients:</p> <ul style="list-style-type: none"> <li>• Pay Inflation</li> <li>• Non-Pay Inflation</li> <li>• Council Tax increases</li> <li>• Future Government Grant assumptions</li> <li>• Use of general reserves</li> <li>• Level of general reserves</li> <li>• Level of earmarked reserves</li> <li>• Growth pressures</li> <li>• Efficiency targets</li> <li>• Capital spending profiles</li> </ul> <p>We have met regularly with the Section 151 Officer and the Chief Executive to discuss the Council's financial position and plans.</p> <p>We have reviewed in-year finance reports to identify any issues and considered their impact on budgets and plans.</p>	<p>We are due to feedback our findings on your MTFS to the Section 151 Officer and the Audit Committee in a separate report.</p> <p>We will continue to meet regularly with the Section 151 Officer and the Chief Executive to discuss the Council's financial position and plans.</p> <p>We will consider the findings of our detailed testing on the Council's estimates, provisions and journals undertaken as part of our final accounts audit work.</p> <p>If any of these findings have a significant impact upon the Council's financial plans we will feedback our findings to you.</p>

<p><b>Single Status implementation</b></p> <p>At the time of drafting our annual audit plan the Council had not yet implemented an affordable Single Status pay agreement</p> <p>The Council is continuing to work toward reaching and implementing an agreement and a number of key activities and decisions are due to take place prior to the date we expect to issue our VfM conclusion.</p> <p>These activities and decisions could impact our VfM conclusion.</p>	<p>We have kept abreast of developments through regular meetings with senior Officers and through review of relevant documentation.</p> <p>We are pleased to note that the Council reached a negotiated agreement with the recognised Trade Unions to implement the National Single Status Agreement; a binding collective agreement and implemented the new structure with effect from 1 April 2013.</p> <p>The main risk to our VfM conclusion was the Council failing to achieve such an agreement so the risk has reduced significantly.</p>	<p>During our final audit we will conclude whether the arrangements provide indicators that value for money has not been achieved by the Council. We will also review documentation from key stages to validate that financial decisions were appropriately reviewed and approved in line with the Council's policies and legal advice.</p>
<p><b>Shared Service Transformation Programme</b></p> <p>The Council has a very old IT system. Various options for replacement are being sought which could have a significant impact on the accounting arrangements and on value for money at the Council.</p> <p>The programme team is currently focussed on the procurement phase of the Transformation Programme. The team is expecting to sign contracts with the future supplier on the 1<sup>st</sup> April 2013. The team has divided the procurement phase into a number of stages in order to appropriately evaluate any potential suppliers. The team has also involved a number of stakeholders, including legal advisors. An assurance framework for the procurement phase has been drafted.</p> <p>Procurement exercises of this nature pose a number of risks that need to be carefully managed.</p>	<p>We carried out an audit 'health check' of the Shared Services Transformation Programme in March and April of 2013.</p> <p>The scope of this review was to consider the Council's programme management controls as at 30 March 2013. Our work specifically focused on the overall programme structure, the Council's assurance framework and controls over the procurement phase of the programme.</p> <p>We reviewed key project documentation and discussed progress with the Programme Team.</p> <p>We concluded that as at April 2013 the Council had good programme and risk management arrangements in place for the procurement phase of the Shared Service Transformation Programme but that more needs to be done to clarify and formalise its future assurance needs for the delivery phase.</p>	<p>We will re-visit the programme this summer for a short, high level review to ensure the robust programme management approach is being maintained post getting the supplier is on-board.</p>
<p><b>Restructuring costs</b></p> <p>The Council has incurred costs relating to restructuring and staff changes during 2012/13.</p> <p>We consider the risk of materially misstating these costs to be very low. However, we are required to consider whether the settlements in aggregate or the governance process surrounding the payments would impact our VfM conclusion.</p>	<p>The Strategic Director for Delivery has advised us of the decision making process surrounding a number of the more significant individual payments to date.</p> <p>We have reviewed your arrangements for ensuring that individual financial settlements represent value for money.</p>	<p>At final audit we will revisit the payments in totality and consider the legal advice you have received in order to confirm that there is no reason to amend our value for money conclusion.</p>

<p><b>Procurement follow up</b></p> <p>The Council has a significant savings target over the medium term that will be a huge challenge to meet. Success is, in no small part, reliant on procurement savings and although we concluded in prior year that the Council had made some progress we did identify that further work was required to deliver significant savings and that the Council should renew its efforts to improve its procurement related processes and performance.</p> <p>We also recommended that the Council's Internal Auditors undertake a follow up review of its previous findings in this area; not only to ensure that basic controls are adequate during significant change, but also to ensure that these controls are being complied with in practice. We understand that Internal Audit is revisiting this area during the 2012/13 financial year.</p> <p>The Interim Head of Strategic Sourcing has since produced a number of reports that have identified further shortcomings associated with the Contracts Database, the use of e-shop, external consultancy support and the viability of planned procurement savings projections.</p> <p>Delays in implementation of procurement initiatives and reductions in the related assumptions about what can be achieved are reflected in the latest MTFS but further slippage or failure to meet savings requirements is a significant risk to the Council that needs to be well managed.</p>	<p>We have met with key officers in order to understand the Council's progress in delivering its broader transformation plans and, more specifically, those plans relating to the Contracts Database, the use of e-shop, external consultancy support and the viability of planned procurement savings projections.</p> <p>We have considered the interface between the Council's procurement transformation plans and its medium term financial and savings plans.</p>	<p>We will review the outcome of Internal Audit's follow up review and consider the Council's arrangements for monitoring its plans, including key governance and reporting arrangements.</p> <p>Where we identify shortfalls in assurance either in the design of new processes or the adherence to formal procedures we will consider what additional work is required and agree that with the Strategic Director of Delivery.</p>
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<p><b>Risk Management and Annual Governance Statement follow up</b></p> <p>Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: ‘Delivering Good Governance in Local Government’.</p> <p>In 2011/12 we identified that the AGS:</p> <ul style="list-style-type: none"> <li>made no reference to the report on the proposed strategic partnership with Axon Solutions Ltd which we considered to have remained a significant governance issue for the Council during 2011/12;</li> <li>lacked a clear action plan for the significant governance matters identified; and</li> <li>lacked a clear statement as to what extent the Council’s systems of internal control include Wolverhampton Homes whose significant activity falls within the Council’s group boundary.</li> </ul> <p>We agreed with the Section 151 Officer at the time that the Annual Governance Statement, and the underlying process that fed it, should be strengthened.</p>	<p>We reviewed your draft AGS to ensure that the recommendations we made last year had been addressed.</p> <p>We concluded that the AGS, which has been presented in a new format this year, contains both:</p> <ul style="list-style-type: none"> <li>a more detailed action plan for the significant governance matters identified; and</li> <li>a clearer statement as to what extent the Council’s systems of internal control include Wolverhampton Homes whose significant activity falls within the Council’s group boundary.</li> </ul> <p>We will also understand the risk identification process that was used to produce the statement and considered whether any governance issues appear to have been omitted. We did not identify any significant omissions.</p>	<p>We will reconsider the completeness of the AGS prior to issuing the accounts opinion.</p>
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## ***Section 3 – Review of the work of Internal Audit***

We have reviewed the work of Internal Audit across the following key financial systems:

- Cash / general ledger
- Debtors
- Creditors
- Treasury management (borrowings and investments)
- Budgetary control
- Property, plant and equipment
- Payroll
- Council tax income
- NNDR
- Housing benefits and rent

In completing our work we found that:

- the scope of the work of Internal Audit met our requirements;
- the quality of the work undertaken by Internal Audit was of a good standard;
- the conclusions of Internal Audit were consistent with the work they had completed;
- our re-performance testing (of a sample of work undertaken by Internal Audit) reached the same conclusion in every instance;

Our review of the aforementioned reviews of Internal Audit also identified no material control weaknesses.

On the basis of the above we concluded that:

- we are able to place reliance on the work of Internal Audit;
- we are able to place reliance on the controls within the Council's key financial systems; and
- there are no findings which would require changes to our planned audit approach.

Our final accounts audit approach will therefore continue as planned.

We have met with the Internal Audit team to communicate our views on their performance and have suggested a number of areas where further efficiencies could be gained in the delivery of the managed audit in future years.

## Section 4 – Recent developments

As part of our regular reporting to you, we plan to keep you up to date with relevant developments within accounting, as well as the wider sector. Below we have highlighted some matters that may be of interest to the Council:

### Changes to IAS19 in 2013/14

The revised version of IAS19 Employee Benefits will apply to local authorities in 2013/14 and will change some of the pension numbers that authorities include in respect of the Local Government Pension Scheme.

Whilst this is a 2013/14 change, it will also impact 2012/13 as local authorities are required to follow IAS8 and disclose the impact of future accounting standard changes such as IAS19 revised.

For 2012/13 authorities will therefore need to disclose of the impact of IAS19 revised, had it been applied in 2012/13. This will likely be a quantifiable figure, such as describing that the pension components of the Comprehensive Income and Expenditure Statement would have been £xm higher/lower or similar. As such, Local Authorities will need access to this figure, whether it be from a full breakdown of the pension components of the Comprehensive Income and Expenditure Statement under IAS19 revised or a narrative as to the likely effect on the total pension components of the Comprehensive Income and Expenditure Statement had IAS19 revised been applied.

In terms of disclosing the 2013/14 impact, while this would be helpful it is unlikely to be required as long as the 2012/13 impact has been stated.

### Local Government 2013-14 settlement

The DCLG has outlined '50 sensible savings', a Council Tax freeze and a fair funding for councils to protect residents and local services, as a major shake-up of local finance.

A shift in spending power from Whitehall to the town hall means an estimated 70% of council income will now be raised locally compared to 56% under the previous centrally distributed grant system.

From April 2013 councils are encouraged to channel this greater local control into encouraging local jobs and local firms via a new business rate retention incentive that rewards them for growth. It aims to add £10 billion to the economy by 2020.

To help councils in that regard a document containing 50 suggested ways to make savings has been published was published, which can be found at the following website:

<https://www.gov.uk/government/publications/50-ways-to-save-examples-of-sensible-savings-in-local-government>

The '50 ways to save' include:

- sharing back offices
- adopting Community Budgets to bring staff and money together
- clamping down on corporate charge cards
- utilising non-school reserves creatively
- encourage direct debit and e-billing
- improving property management
- cut expensive travel



- reduce printing costs
- hiring out the town hall

The government has published the Council Tax principles it is proposing for 2013/14. Council Tax increases would trigger a referendum, if they exceed 2% for most principal authorities. The final principles for 2013/14 will be set out in a report for the approval of the House of Commons at the same time as the final report on the local government finance settlement. No equivalent principles are being proposed for town and parish councils for 2013 to 2014, although they may in future years.

### ‘The Local State We’re In’ - PwC’s annual local government survey, 2013

In March 2013, we conducted our third survey of local authority Chief Executives and Leaders, together with online polling of a representative sample of over 2,000 members of the public. Our aim was to explore how councils are coping with sustained budgetary pressures, where they have delivered savings to date, their confidence and focus for further savings, and the public reaction to the actions they have taken.

This year’s report highlights how the focus of local authorities’ responses to budgetary pressures is changing, as well as outlining where there are differences in views between Chief Executives, Leaders and the public that could have potential implications for the shape of the future council.

Once again, councils have demonstrated their ability to deliver significant financial savings and balanced budgets. They have done so primarily by continuing to focus on ‘how they work’ – by securing savings in internal processes, support services, the management of their assets and their third party expenditure. But below the surface, there are signs that cracks are appearing as councils adjust to the reality of continued and significant financial pressures, and anxiety that these will become even more pronounced after the June 2013 Spending Review.

The report presents the survey findings and focuses on five main areas:

- Actions taken by councils during the last year
- Looking ahead to 2013/14 and the next spending round
- Public attitudes and concerns
- Where next for future savings?
- The future council

This report, and other thought leadership material, can be found at: [pwc.blogs.com/publicsectormatters](http://pwc.blogs.com/publicsectormatters).



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