

Report to:	AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting:	10 March 2016

SUBCONTRACTING ARRANGEMENTS

1.0 Purpose of the report:

1.1 To consider KPMG's report into the subcontracting arrangements of the Council in relation to the funding agreement in place with the Skills Funding Agency.

2.0 Recommendation(s):

2.1 To note the report and raise any questions and make any recommendations as considered appropriate.

3.0 Reasons for recommendation(s):

3.1 In line with the external auditor's role in 'providing external assurance on subcontracting controls', it was requested that any recommendations be presented to the Audit Committee.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None

4.0 Council Priority:

4.1 The relevant Council Priorities are

- "The economy: Maximising growth and opportunity across Blackpool"
- "Communities: Creating stronger communities and increasing resilience"

5.0 Background Information

- 5.1 Blackpool Council has a funding agreement in place with the Skills Funding Agency for the 2015/16 financial year. To deliver the agreed level of funding, the Council has contracted with five subcontractors to deliver part of this provision in accordance with the Council's desire to engage with and support learners requiring pre-basic skills support.
- 5.2 The Skills Funding Agency has introduced a new requirement for this year in its guidance document 'Providing external assurance on subcontracting controls', dated September 2015. This guidance outlines the requirement for the Council to obtain, on an annual basis, a report on the arrangements that it has in place to manage and control its subcontractors in line with the Skills Funding Agency Guidance. The work should be undertaken by an independent accountant.
- 5.3 In connection with that requirement, the external auditor was asked to compare the Council's end-to-end subcontracting processes with the requirements set out in the Funding Agreements and the Skills Funding Agency's funding rules 2015/16, to reflect the requirements of the Skills Funding Agency Guidance and to then report any recommendations to the Audit Committee.
- 5.4 The external auditor evaluated the design and operational effectiveness of the policies and procedures in place that were intended to achieve compliance with the subcontracting requirements, as set out within the Funding Agreement, contracts and the funding rules 2015/16. The attached report details where gaps in policies, procedures and their operating effectiveness were identified as well as recommendations for improvement.
- 5.5 Does the information submitted include any exempt information? No

- 5.5 **List of Appendices:**
Appendix 6a: Subcontracting Arrangements

6.0 Legal considerations:

- 6.1 See attached report.

7.0 Human Resources considerations:

- 7.1 None.

8.0 Equalities considerations:

- 8.1 None

9.0 Financial considerations:

9.1 See attached report.

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None