

Auditor's Annual Report on Ribble Valley Borough Council

For the year ended 31 March 2023

January 2024





We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Two significant weakness are identified in the Council's arrangements to improve economy, efficiency, and effectiveness

Our findings of the VFM audit for 2022/23 identify two significant weakness in the Council's arrangements to improve economy, efficiency, and effectiveness. The Council needs to develop a savings and transformation programme to address its significant budget gap and reduce the potential impact on the Councils reserves. It also needs to develop a performance framework. This can be used to help drive its required transformation as it the Council looks to makes informed decisions to identify the required savings. We recommend this Auditors Annual Report (AAR) and its key recommendations are discussed as an item at Full Council to enable all members to consider the issues raised in the Council's response.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but six improvement recommendations made.	No significant weaknesses in arrangements but four improvement recommendations made.	One significant weakness in arrangements identified, and four improvement recommendations made.	↓
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but four improvements recommendation made.	No significant weaknesses in arrangements identified, but two improvement recommendations made.	No significant weaknesses in arrangements identified but three improvement recommendations made.	→
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weaknesses in arrangements but improvement recommendation identified.	One significant weaknesses in arrangements identified and one improvement recommendation made.	↓

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (1 of 2)

Key recommendations

We make two key recommendations. The first on page 6 relates to financial sustainability. The Council has identified a gap of £8.794m to fund revenue budgets in the medium term. The Council has itself acknowledged that if it were to use earmarked reserves between 2024/25 and 2027/28 to fund the revenue budget, this would leave earmarked reserves of only £0.770m at the end of 2027/28. The Council also acknowledges this would not be a financially sustainable method of funding expenditure. The Council has started work in 2023/24 to address this gap but at the time of writing it does not have an approved savings programme. The scale of budget gap means the Council may require a transformative approach to achieve value for money (VfM) and maintain effective services.

Our second key recommendation (page 7) relates to the 3Es. We raised performance management as an improvement recommendation in our AAR 2020/21 and raised the lack of reporting in our AAR 2021/22. In 2022/23 the Council did not have a formal performance framework. This can mean the Council may be more likely to employ a reactive approach to challenge, rather than proactively forward planning, and lacks a mechanism to potentially anticipate issues before they emerge. Committee members received no performance reports in 2021/22 or 2022/23. Members should have sufficient information to enable them to hold officers to account for performance. Performance benchmarking is currently not built into the Council's arrangements. Given the financial pressures mentioned above, the Council will need to ensure it has effective and reported performance data to help inform key decisions.



Financial sustainability

In 2022/23 the Council did not have a current Medium Term Financial Strategy (MTFS), however did forecast service committee expenditure for three-years. It had not fully updated its MTFS since 2018/19 and we have raised this previously in our vfm reporting. We note the Council did however approve its MTFS for 2023/24 to 2025/26 at Full Council on 7 March 2023. The 2022/23 outturn position was £8.671m against an originally expected spend of £9.097m. On 7 March 2023, Full Council approved the 2023/24 budget for committee expenditure at £11.593m. Financial plans are discussed at Full Council, Policy and Finance Committee and in Service Committees on a quarterly basis.

In 2022/23 the Council did not have an approved and costed robust plan to address its identified financial gap in the medium-term and there was not a fully documented savings programme in place. We previously raised the lack of a savings plan in our AARs in 2020/21 and in 2021/22. The Council itself notes that using reserves to bridge funding gaps in future years is not sustainable. In June 2023, the Council predicted deficits in each year of the MTFS 2023-2026 based on assumptions about future financial reforms and possible levels of transitional protection. If these are realised, the Council is aware that if no other alternative could be identified, it would need to use £8.794m of its earmarked reserves between 2024/25 and 2027/28 to fund the revenue budget. This would leave earmarked reserves of only £770k at the end of 2027/28. This is not financially sustainable. The Council has itself identified that this is an issue and is starting work in 2023/24 to address this gap but had no detailed plan in place in 2022/23 and we raise this in the key recommendation on page 6.

On a positive note the Council does have a strong control of staffing costs. All staff vacancies that arise are reviewed by the relevant Head of Service and a report presented to the Corporate Management Team to make a request to reappoint to the post.



2022/23

At the time of writing we are working on our audit of your financial statements. We anticipate issuing an unqualified audit opinion on completion of the work.



Executive summary (2 of 2)



Governance

The Council has made good progress in improving its risks management arrangements to make them more robust. A new Risk Management Policy was approved by the Accounts and Audit Committee on 28 September 2022. The Policy outlines the process of identifying risks, evaluating their likelihood and potential impact, and determining the most effective methods of controlling them. It also includes the Council's approach for managing risk, and roles and responsibilities of managers and decision-makers. We made improvement recommendations about the Council's approach to risk management in the AAR 2020/21 and again in 2021/22 and are satisfied the Council has worked hard to address these. We have identified some good practice on the significant risk register (SRR) including risk references, residual and target scores, assurances, and individual risk owners, and service committees. We also noted that risk training was undertaken for Heads of Service in Autumn 2022. Although we make a further improvement recommendation on page 23, this is a 'good practice' recommendation and we acknowledge the Council's arrangements in 2022/23 were much improved.

On 23 November 2022, members of the Accounts and Audit Committee approved the Annual Governance Statement (AGS) for 2021/22 which identified that due to overriding COVID priorities, several key Council policies were now out of date and needed urgent review. These were also raised in the draft AGS for 2022/23 in June 2023 together with the need to improve performance and reintroduce performance reporting to members. The Council should integrate performance and financial planning aligned to its corporate plan, and trend analysis (for example in respect of income) would give further enhancement of the reporting. Joint quarterly monitoring of performance and finance would help the Council to ensure its spending was achieving value for money and delivering effective outcomes.

On 28 June 2023, the Accounts and Audit Committee received audit opinion of substantial assurance for 2022/23. In 2022/23 Internal Audit made 65 recommendations on 18 audits (76% of its agreed plan). Members are not provided with detail as to why some audits received limited or partial assurance or the actions to be taken to improve and are not told why some recommendations are not followed-up. We raise an improvement recommendation on page 24. We also recommend the Council adopts the CIPFA guidance to include at least two co-opted independent members onto its Accounts and Audit Committee to provide appropriate technical expertise which we understand the Council is already in the process of implementing.



Improving economy, efficiency and effectiveness

The Council's four-year Corporate Strategy 2019-2023 sets its strategic direction. The Strategy has five strategic ambitions, and each ambition has priority actions and success measures. As set out above to support this the Council should update its performance management framework in line with these ambitions, actions or measures. There was no annual delivery plan for the Strategy to enable reporting to elected members or to residents during 2022/23. We acknowledge that this was in part due to staffing changes and capacity. Going forward, integrated reporting would help the Council to focus spend on its priorities to deliver improvement. The Council has not yet looked at levels of delivery for statutory services and needs to plan this work as long-term financial constraints have the potential to increasingly impact its financial sustainability. The Council needs a strategic approach to assess required service levels, but as previously noted this relies on effective performance data. See our key recommendation on page 7.

In January 2023, the Council launched the 'People Survey – Life in Ribble Valley'. This was the first survey since 2018. The survey feedback will help shape the Council's Corporate Strategy 2023 - 2027. As part of putting an effective performance framework for the new Strategy in place, work on this framework also needs to develop robust KPIs with benchmarking where appropriate on performance and cost.

The Council has a Procurement Strategy 2022-2024, which is meant to be agreed at Full Council according to the Council constitution, but this agreement was outstanding in August 2023. Financial regulations and contract standing orders (CSOs) are updated annually and reported to the Policy and Finance Committee. The contracts register is available on the Council's website for contracts over £5k.

Key recommendation 1



Financial sustainability

Key recommendation 1

The Council needs as a matter of priority to identify, document and approve a programme of savings and if required transformation, in order to address the budget gaps set out in the MTFS. The Council should consider the following as a means of achieving that, but does need to develop its own plan to achieve this in line with member approval:

- use the new corporate plan to identify its budget priorities and review service budgets.
- develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify any required reductions to non-essential spending
- consider the use of unit cost benchmarking to review the cost effectiveness of existing activities
- identify any discretionary activities for further consideration of related costs where these do not contribute to corporate plan priorities
- consult on service changes and future spending plans with the public and include public engagement annually as part of business planning
- assess the skills required to manage the programme and explore new ways of working.
- develop early ideas for savings with budget holders and present these members to enable members to see options and any potential impact of savings on residents across the service committee areas.

Why/impact

The Council has identified that if no other action is taken it would need to use £8.794m of its earmarked reserves between 2024/25 and 2027/28 to fund the revenue budget. This would leave earmarked reserves of only £0.770m at the end of 2027/28. The Council is itself clear that this is not financially sustainable. The Council is starting work in 2023/24 to address this gap but had no current savings programme in place in August 2023. The scale of budget gap means the Council may require a transformative approach to achieve VFM and maintain effective services.

Auditor judgement

The Council needs to develop a corporate savings and (potentially) transformation programme to identify potential reductions to non-essential spending and review the level at which it is delivering statutory services to ensure it continues to be financially sustainable beyond 2026/27.

Summary findings

We previously raised the lack of a savings plan in our AARs in 2020/21 and in 2021/22. As the Council has set up, using reserves to fund future budget gaps is unsustainable. On 7 March 2023, Full Council approved the 2023/24 budget for committee expenditure at £11.537m. The Council needs to identify a robust plan to address its identified financial gap in the medium-term.

Management Comments

The council will develop a savings plan that covers the life of the next budget forecast/MTFS. Due to high uncertainty around local government finance the council is cautious around the amount of detail for inclusion in such a plan. Savings flagged within the budget forecast/MTFS carry no certainty but are shown following preparation of forecasts on a prudent basis. Complex risk of damage to key stakeholder confidence in the council due to the need for savings not materialising is a key concern.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendation 2



Improving economy, efficiency and effectiveness

Key recommendation 2

The Council needs to improve its performance management arrangements by considering the following actions:

- developing a new performance framework for the 2023-27 Corporate Strategy which sets out priority actions and success measures and is baselined. The framework should look to include a delivery plan with annual delivery targets and a suite of KPIs, with appropriate benchmarking. It should also set out the annual business planning cycle to deliver the Corporate Strategy aligned to the budget setting process. Scenario planning and sensitivity analysis would be helpful to demonstrate the potential impact of differing outcomes
- introducing performance reports with target and actual measures, RAG rating, and appropriate benchmarking
- integrated performance, finance and risk reporting to service committees on a quarterly basis.
- ensuring the Council's data quality policy is complied with and understood.
- ensuring appropriate use of the Pentana Performance System to record performance in the new framework including staff training.
- continuing to learn lessons from any external reports in a timely way to ensure good quality services for its residents that take their equality dimensions into account and complying with its statutory duties relating to environmental health.
- considering use of the Local Government Association (LGA) Corporate Peer Challenge process to test its performance and transformation plans once drafted

Why/impact

The Council needs to deliver its Corporate Strategy and in order to do this will need a performance management framework in place, underpinned by robust data. This will help the Council further understand any improvements required and enable officers to understand how they contribute or identify savings and achieve VFM. The lack of performance management can mean there is insufficient data to drive improvement. A blended approach between finance and performance will help the Council could reduce spending in the right areas.

Auditor judgement

The Council's arrangements for performance management require expansion and improvement.

Summary findings

We raised performance management as an improvement recommendation in the AAR 2020/21 and noted in the AAR 2021/22 the Council was not reporting performance. In 2022/23 the Council lacked a documented and reported performance framework. This could mean actions being more likely to be reactive, rather than using performance to forward plan or anticipate issues. It is also important to have a robust reported framework so that committee members can hold officers to account for performance. The Council also will need to use performance data to help it close its budget gap. The Council was non-compliant with statutory duties relating to water risks to commercial properties in 2022/23 and up to August 2023 due to a resourcing issue for the role at the time.

The range of recommendations that external auditors can make is explained in Appendix C.



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Key recommendation 2



Improving economy, efficiency and effectiveness

Management Comments

The council has a wide range of performance management arrangements in place, whilst possibly not always badged as such. Much of this is embedded within reports, including performance narrative which is integrated within detailed financial reporting.

The council has already recognised that the reporting arrangements for performance indicators needs strengthening to better meet the needs of services. Covid unfortunately meant that priorities were corporately redirected at a time when many of our usual services were suspended, reducing the relevance of such data at that time.

This area was again impacted last financial year due to staffing changes around policy and performance, but good progress has been made by the council since recruitment to the post which is not recognised within the reporting here.

The Annual Government Report highlighted the need to return to detailed performance indicators and reports have previously been taken to Policy and Finance committee explaining the process that is being followed to allow this alongside the development of the new Corporate Strategy.

The range of recommendations that external auditors can make is explained in Appendix C.



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Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether the accounts: present a true and fair view of the Council's financial position; and have been prepared in accordance with the CIPFA/LASAAC Code of Practice on local authority accounting in the United Kingdom 2021-22.

Our audit of the Council's 2022/23 financial statements is complete.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not issue any statutory recommendations in 2022/23.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest report in 2022/23.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any application to the Court in 2022/23.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure;
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notice in 2022/23.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for any judicial review in 2022/23.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 27. Further detail on how we approached our work is included in Appendix B.

Financial sustainability (1 of 3)



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the Council ensures that it identifies all the significant financial pressures that are relevant to its short- and medium-term plans and builds them into its plans

In 2021/22 the Council planned to spend £8.378m on net committee expenditure with the outturn position being £7.428m, resulting in an underspend of £0.955m of which £0.427m was added to general fund balances and £0.161m to ear marked reserves. In 2022/23, the annual funding settlement was again for one-year creating challenges in financial planning across the sector. The Council did not have a current Medium Term Financial Strategy (MTFS) but as in previous years, it did prepare and update a three year budget forecast which has always formed a key element of the Council's financial planning. At that time it had not updated its MTFS since 2018/19 but we note Full Council approved its MTFS for 2023/24 to 2025/26 on 7 March 2023.

On 22 February 2022, the Policy and Finance Committee proposed the 2022/23 budget for committee expenditure be set at £9.077m which was agreed at Full Council on 8 March 2022. The Council's core spending power increased by only 0.6% or £39,000 between 2021/22 and 2022/23.

Assumptions included £1.206m from New Homes Bonus (NHB) in compared with £1.516m in the previous period and £1.354m from business rates baseline funding. The Council was a part of the Lancashire Business Rates Pool and was the lead Council. Out-turn for 2022/23 identified £1.8m from business rates growth. The Council Tax increase for a Band D property was agreed as £160.69 or a £5 increase from 2021/22 (3.2%). The taxbase was set at 24,553. The Council Tax requirement was £3.945m.

The 2022/23 outturn position for the committees was £8.671m against the expected net spend of £9.097m (after in year approvals), resulting in a variance of £0.426m. This resulted in less than expected money being taken from general fund balances. The Council originally planned to take £0.412m from general fund balances to help finance the 2022/23 spending plans. However, the final position shows it used £0.242m.

On 7 March 2023, Full Council approved the 2023/24 budget for committee expenditure at £11.594m. This budget exceeded known income and was balanced by £0.759m from reserves - £0.459m from associated earmarked

reserves (i.e. release of grant funds) and £0.3m from general fund balances. The General Fund balance on 31 March 2023 was £2.719m. This compares to £2.961m in 2021/22.

The Section 25 statement reported to full Council on 7 March 2023 references the reserve levels and confirms they are adequate considering the external impacts on the budget.

Financial plans are discussed at Full Council, Policy and Finance Committee and in Service Committees on a quarterly basis and with the Budget Working Group.

The Council does not have a specific separate carbon reduction budget, but rather integrates such spend within its service and capital budgets. The Council has a climate change action plan and as decisions are made it would be helpful for the Council to cost the action plan to help ensure it can meet its carbon neutral target and ensure spending reflects its ambitions. The impact of climate change and carbon neutral is not currently separately highlighted in the new MFTS from 2023. We make an improvement recommendation in relation to this. (page 14).

How the body plans to bridge its funding gaps and identifies achievable savings

In June 2023, the Council's budget gap over the medium-term (4 years) was £8.794m, from the gap of £4.848m it identified in September 2022 although this was only based on 3-years, rather than the 4 years as in June 2023.. The Council is clear that funding this gap from reserves is not sustainable however in 2022/23 it had no savings programme in place.

In September 2022, the Policy and Finance Committee asked Service Committees to consider if they could identify savings in 2023/24 but proposals to address the gap does also require a corporate response. The Council may need to consider a transformative corporate approach to savings to ensure reductions in spending do not impact performance and VfM. As of August 2023, no plans were yet documented and approved.

We make a key recommendation that the Council as a matter of priority identifies, documents and approves a programme of savings and (if required) transformation, in order to address the budget gaps set out in the MTFS (see page 6). The scope of this programme will need agreeing with elected members.

Financial sustainability (2 of 3)

How the body plans to bridge its funding gaps and identifies achievable savings (continued)

As part of the savings programme and in future years it will be important to develop early ideas for savings with budget holders and present these to members to scrutinise to enable early engagement with key stakeholders and to enable members to see options and any impact of savings. This needs corporate oversight through the Policy and Finance Committee and the Budget Working Group.

While the Council had no formal savings programme since 2010 all budget holders are encouraged to identify savings to fund any growth items via virement requests during the year. The Council is aware that it needs to identify savings rather than use earmarked reserves and is undertaking work to address this.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Financial reporting in the Council does not clearly distinguish the cost of delivering core statutory services as distinct from discretionary areas of spend. We have raised this as an improvement recommendation previously as this information will be helpful to the Council's compilation of a robust savings programme, and we include this in our key recommendation on page 6.

The Council in its Corporate Strategy 2019/23 stated it wants to be well-managed providing efficient services and value for money. As the Council develops its new Corporate Strategy for 2024 onward it will need to ensure its spending reflects its priorities particularly for discretionary services but also the level at which statutory services are funded to realise possible savings. We include the need to link priorities and spending in our key recommendation on page 7.

There is internal consultation to ensure the annual budget meets service committee needs, ensuring key services remain funded. Financial plans are not discussed with wider stakeholders through an annual consultation exercise, and we include this in our key recommendation on page 6. We found no evidence of the need to curtail services to support short-term funding deficits. The Council has strong control of staffing costs. All staff vacancies that arise are reviewed by the relevant Head of Service and a report presented to the Corporate Management Team to make a request to reappoint to the post.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

While the Council reports some human resources information, it does not have a current costed Workforce Strategy. We note the Council's workforce is relatively stable and there are no current plans that would impact on the workforce profile, but as good practice we make an improvement recommendation to develop a long-term term and costed Workforce Strategy (see page 15).

On 8 March 2022 full Council agreed the joint Capital and Treasury Management Strategy, which is updated annually, and approved the prudential indicators, borrowing limits and minimum revenue provision. During 2022/23 the Council repaid its outstanding Public Works Loan Board loans early and it had no external debt on 31 March 2023 and no plans for new borrowing in 2023/24.

As might be expected over the year there are some service committee budget variations between budget setting, in year monitoring, and budget outturn. On 8 March 2022 Full Council set the 2022/23 budget for committee expenditure at £9.077m. Outturn for 2022/23 shows actual committee expenditure was £8.671m. The community services budget was overspent by £0.286m. The health and housing committee only spent 62% of its agreed budget figure, planning and development spent as expected at the start of the year although they had an in-year increase of £0.281m which was not then required. There were also associated movements in earmarked reserves e.g government grants not anticipated or received towards the very end of the financial year such as Homes for Ukraine funding.

The budget aligns to the Council's Corporate Plan. Ambitions in the Climate Change Strategy are considered for implementation alongside associated financial implications and budget requirements.

On 8 March 2022, the Full Council agreed its three-year capital programme and was due to spend £3.477m in 2022/23 which included £1.737m of spend moved from 2021/22. Capital outturn spending for 2022/23 was £1.157m. Part of the underspend related to £0.774m for disabled grants which are demand led so outside the Council's direct control. Service committees receive quarterly capital programme monitoring. These monitoring reports could be enhanced by providing more detail on reasons for capital projects being postponed or any performance data or outcomes on benefits realised (continued on the next slide).

Financial sustainability (3 of 3)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

There is significant variation between estimated and actual capital programme expenditure across the service committees as shown in the table below. Whilst this is not unusual in the current climate, we raise a related improvement recommendation on the capital programme (page 18). As an example, on 8 June 2023, the Health and Housing Committee were advised that only one of eight schemes planned for 2022/23 was completed. With slippage of £1m requested from 2022/23 to 2023/24. In 2021/22 this Committee also approved two schemes to move into 2022/23 totalling £0.658m. These were the Disabled Facilities Grant of £0.646m and £0.011m on a housing scheme. These schemes are for the distribution of grants and are therefore demand led.

Capital programme by committee for 2022/23	Original estimate £	Revised estimate £	Actual £	Original estimate to actual £	Revised estimate to actual £
Community Services	2,280,500	844,060	677,184	-1,603,316	-116,876
Economic Development	51,750	55,000	0	-51,750	-55,000
Planning and Development	26,42	0	0	-26,420	0
Policy and Finance	335,480	88,920	88,859	-246,621	-61
Health and Housing	782,540	1,397,630	391,414	-391,126	-1,006,216
Total	3,476,690	2,385,610	1,157,457	-2,319,233	-1,228,153

Committees are not provided with performance updates (in terms of expected and achieved outcomes relating to capital spending) on the capital programme however this is because capital schemes in the main relate to vehicles and plant or distribution of grants. If the Council were to undertake any big capital schemes going forward, this could be re-considered. We raise an improvement recommendation on page 16 concerning the capital programme.

How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

In 2021/22 the Council increased general fund reserves by £0.427m taking them to £2.961m at the start of 2022/23. In 2022/23 it used £0.242m of these reserves to balance its budget leaving £2.719m in general fund reserves from 31 March 2023.

In April 2022, the Council had earmarked reserves of £15.082m which reduced to £14.7m by 31 March 2023. These reserves remain inflated in 2023/24 due to Covid-19 grants by £1.7m. The Council also has a Business Rates Volatility Reserve valued at £1.682m in July 2023 to minimise the impact of the business rates reset.

In September 2022, the Policy and Finance Committee received a report from the Director of Resources who outlined a forecasted budget shortfall of £1m in 2023/24, £1.394m in 2024/25 and £2.412m in 2025/26. The Committee agreed the recommendations of the Budget Working Group to advise committees 'to examine their budgets carefully to see if any savings can be identified'. They also agreed to increase fees and charges by the rate of CPI in September and increase council tax by the maximum possible. For capital spending service committees were asked to review essential and non-essential spending.

We have raised a key recommendation on page 6 concerning the Council's financial resilience. We also identify an improvement recommendation on page 17 for the Council to introduce a range of scenario planning in respect of income risks, expenditure pressures and financial issues that may impact on the use of reserves. We think using scenario planning would help the Council with its forward financial planning.

As reported above, the Council identified that if no alternative action was taken to address the budget gap, and the assumptions made on core funding and expenditure proved correct, then this may impact on earmarked reserves by £8.794m between 2024/25 and 2027/28. The Council is starting work in 2023/24 to address this gap. In 2023/24 the Council built in 5% for a pay award and 7.5% for other inflationary pressures into its MTFs. The MTFs 2023-2026 shows no New Homes Bonus from 2024/25, in line with government announcements at that time.

The Council's significant risk register scored its financial risk as a likelihood score of 2 and an impact score of 3 giving it a total score of 6 out of 20 or 'green' in March 2023. This relates to the risk the Council may have to issue a S114 notice. The Council sees this as low risk in the short to medium terms. The Council will need to keep this under review. This score may need to be revisited to reflect the potential level of financial risk faced by the Council as funding is confirmed and the financial picture becomes clearer.

We address financial resilience in the key recommendation on page 6. and in the improvement recommendation on risk management on page 22.

Improvement recommendations



Financial sustainability

Improvement Recommendation 1

The Council currently integrates carbon reduction spend within its service and capital budgets. The Council has a number of options to consider to enable it to realise its carbon reduction ambitions and as those decisions are made and progress, it would be helpful to cost these and separately highlight them in the Medium Term Financial Plan.

Why/impact

The Council has a target to be carbon neutral by 2030. As this ambition progresses it would be helpful to cost this separately to ensure its spending in other key areas is in line with this ambition.

Auditor judgement

Having a properly costed plan for climate change adaptations and to achieve carbon neutral is needed if the Council is to achieve its ambition in this area.

Summary findings

The Council does have a climate change action plan and it needs to cost those activities to ensure it can meet its carbon neutral target and ensure spending, particularly on capital reflects its ambitions. The impact of climate change and carbon neutral is not currently separately reflected in the new MTFS from 2023.

Management Comments

Many of the actions within the climate change action plan are already included within the council's budgets, or come at no additional cost. Additionally, many actions require further exploration before deciding on the best course of action, and as such are not able to be costed. This allows the best course of action (financially and meeting needs) to be fully explored.

It must be remembered that one size does not fit all, and a number of net zero ambitions can be met without the need to invest heavily through the capital programme when often more cost effective alternatives may be available, which help meet our targets. That having been said, all capital programme bids include details of environmental considerations. It is wrong to assume that climate change impacts have not been reflected within the council's budgets. However the cost of introducing climate change measures needs to be considered alongside the council's financial sustainability. We will continue to meet the actions contained within the climate change action plan and consider the most cost effective methods of achieving our aims for each action.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Improvement Recommendation 2

The Council should develop a long-term and costed Workforce Strategy to ensure it has the right blend of skills for the future.

Why/impact

Costing the workforce requirements over the long-term will enable finance to build assumptions into the MTFS and ensure the Council has the right blend of skills for the future.

Auditor judgement

Developing a costed strategy will enable the Council to plan its future workforce requirements and build in long-term assumptions for budget planning.

Summary findings

The Council does not have a current costed Workforce Strategy. We make an improvement recommendation to develop a long-term and costed Workforce Strategy.

Management Comments

The council will work towards producing a long-term costed Workforce Strategy but has no current plans that would result in the need for a change in its workforce profile. It is on this basis of no substantial service changes anticipated that the budget is produced.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Improvement Recommendation 3

The Council could consider improving its capital programme and associated reporting by:

- being able to demonstrate that capital projects clearly align with the Council's climate change action plan
- for any major projects undertaken in the future, providing elected members with clear reporting on expected and achieved outcomes relating to capital spending as part of their quarterly reports.

Why/impact

Elected members will find it helpful to receive as much information on capital spend as available. Delivery of the Council's climate change action plan is a corporate ambition which, as decisions continue to be made, would benefit from being separately reflected in other plans and strategies of the Council including the capital programme.

Auditor judgement

Going forward as further decisions are made around climate change ambitions the Council may consider separately reflecting related spend in the capital programme and assessing what additional data might be helpful to members in their decision making .

Summary findings

The Council has a limited capital programme the reporting of which could be enhanced by integrated performance reporting.

Management Comments

All of the actions that are proposed in the recommendation are items that are already in place. We have very detailed capital monitoring processes which provide reporting to corporate management team, budget working group and service committees together with overview reporting at Policy and Finance Committee level. Capital programme monitoring includes detailed scheme history, current progress reporting and slippage request reporting that explains the reasons for any delays on schemes. The main reasons for any underspend variance within the year is generally on grant funded schemes such as the Disabled Facility Grants scheme, where any unspent funding is carried over to the following financial year as part of the ongoing rolling grant scheme. It is difficult to identify how the recommendation differs from that which is already in place.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Improvement Recommendation 4

The Council should introduce scenario planning to help it plan and manage risk in respect of income risks, expenditure pressures and financial issues that may impact on the use of reserves.

Why/impact

The lack of a savings programme and reliance on reserves in the medium term presents financial uncertainty scenario planning could help the Council to reduce financial risk by planning more effectively.

Auditor judgement

Scenario planning could help the Council to manage financial risk and plan effectively.

Summary findings

The Council should introduce scenario planning in respect of income risks, expenditure pressures and financial issues that may impact on the use of reserves. The Council also needs to be planning into its scenarios the impact of legislative change just as waste collection changes that are awaited.

Management Comments

Whilst not formally given as part of the budget forecast, much work is undertaken on various scenarios as part of the detailed work with Budget Working Group, considering such items as the impact of various levels of inflation, fees and charges, council tax and potential levels of government funding. This is also given in the budget presentation that the Director of Resources and Deputy Chief Executive gives to all members each year. It is unclear how scenario planning may impact on the Key Recommendation 1 around savings plans, as certainly one scenario that can be identified is that where future government funding is not as currently anticipated. Levels of funding closer to that which we are currently seeing may be considered by some as the most likely scenario, based on the settlement announcements for local government funding in the last few years.

Additional scenarios will be considered going forward, particularly to demonstrate the high levels of uncertainty around local government funding.

Our budget gap is based on assumptions such as the ending of the New Homes Bonus Scheme, the resetting of Business Rates Retention scheme and the implementation of key financial reforms. It may well be these assumptions and the timing of them may be premature.



The range of recommendations that external auditors can make is explained in Appendix C

Governance (1 of 4)



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

A new Risk Management Policy was approved by the Accounts and Audit Committee on 28 September 2022. The Policy outlines the process of identifying risks, evaluating their likelihood and potential impact, and determining the most effective methods of controlling them. It also outlines the Council's approach for managing risk, and roles and responsibilities of managers and decision-makers. Risk management training was delivered internally to all heads of service in Autumn 2022.

Heads of Services and the Corporate Management Team (CMT) agreed the strategic risks for inclusion in the Council's Corporate Strategic Risk Register (SRR) for 2022/23. The SRR is a critical tool for the Council to capture and report on risk activity and their risk profile. Heads of service are reviewing their Operational Risk Registers. In November 2022, the Council migrated risk to the Pentana Performance System. The SRR needs member oversight as set out in the Council's new policy.

The Council has made significant improvements to their risk management approach over the last 12 months and arrangements are fit for purpose. There are some good practice points the Council could further adopt and these are set out below and in the improvement recommendation 5 on page 22.

Internal Audit identified that Council committee reports need to include a section on risk management with links made to the relevant SRR risk reference.

The SRR should set out key controls and assurances and a direction of travel for each risk. It may be useful to identify issues, risk and impact separately. Some target dates were not been updated potentially making scrutiny more difficult for members. For example, the local plan and legislative risks were both dated 31 March 2023. This was intended in order to demonstrate that the target date has not been met.

We identified some good practice on the SRR. Each risk has a reference and residual and target scores, assurances, and are assigned to individual risk owners, and to an appropriate service committee who can challenge decisions made by officers.

The Council's constitution says the Accounts and Audit Committee should oversee and then monitor the development and implementation of a comprehensive approach to Risk Management. The Committee received the SRR soon after the year end on 12 April 2023.

In order to assist elected members in understanding risk the Council should ideally report risk quarterly to the Accounts and Audit Committee. The Council's risk policy also confirms that risks should be reported to Council and the service committees regularly.

In March 2023, the SRR had 16 risks, of these the top five were: data loss, disruption and / or damage to reputation due to a cyber-attack; high staff turnover, loss of knowledge and skills resulting in reduced resilience; failure to deliver the Council's Climate Change Strategy; failure to deliver the Local Plan; and failure to meet equalities legislation requirements.

The Council's budget was scored 6 out of 20 (green). This risk relates to the potential of a S114 notice being issued in the short to medium term. Given the recommendations we have raised in relation to the forward budget gap, the Council may wish to revisit this when future funding arrangements are confirmed to ensure the score is fully reflective of the risk.

Governance (2 of 4)

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

The Council had a vacancy in the internal audit team in 2022/23 which was covered externally until the internal auditor post was filled in October 2022. The 5-yearly external assessment took place in Autumn 2022, and the final report shared with the Accounts and Audit Committee on 8 February 2023. The Council received partial assurance and agreed an improvement plan with most recommendations already actioned before this Committee had met.

On 23 November 2022, members of the Accounts and Audit Committee approved the Annual Governance Statement (AGS) for 2021/22 which identified that due to overriding COVID priorities several key Council policies were out of date and needed urgent review. This was also raised in the draft AGS for 2022/23 in June 2023.

In June 2023, the Accounts and Audit Committee approved and adopted a Local Code of Corporate Governance, which is reviewed annually and is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). They also received an internal audit opinion of substantial assurance for 2022/23. In 2022/23 Internal Audit made 65 recommendations on 18 audits (76%) of its planned audits. During 2022/23 more detail could potentially have been provided to members for the reasons why some audits received limited or partial assurance, and why some recommendations are not followed up.

We raise an improvement recommendation on page 23 to provide members of the Accounts and Audit Committee with more detailed reports outlining why audits receive only limited or partial assurance and why some recommendations for improvements are not implemented. However we do acknowledge that this process has begun in 2023/24 as set out in management's response.

We also recommend the Council adopts the CIPFA guidance to include at least two co-opted independent members onto its Accounts and Audit Committee to provide appropriate technical expertise. We note this is currently being discussed.

The Policy and Finance Committee revised and adopted the Counter Fraud, Bribery and Corruption Policy Statement and Strategy and Anti-Money Laundering Policy on 27 September 2022.

How the body approaches and carries out its annual budget setting process

Budget papers include risks arising from inflationary pressures, the reset of business rates and the loss of NHB (New Homes Bonus). We believe this could be enhanced by increased use of sensitivity analysis or scenario planning. We have previously raised an improvement recommendation to address this in our AARs in 2020/21 and 2021/22 and have included this as part of the performance management key recommendation on page 7.

Heads of service meet with the finance team monthly to review in-year variances and their reasons, and reports go to the Corporate Management Team (CMT) for discussion and to the Council's Budget Working Group comprising elected members and CMT. Minutes of these meetings go to the Policy and Finance Committee. The budget forecast is reported to the Policy and Finance Committee twice a year and is also reported to the Budget Working Group.

Budgets are discussed quarterly at service committees and these committees propose their future budget requirements. The Council's budget and three-year forecast is then discussed at Policy and Finance Committee which makes recommendations to Full Council. The Council does consult businesses as required but there is also an opportunity to consult the local community as part of the budget setting process, and we include this in our key recommendation on page 6. We note that whilst public consultation on the annual budget is not mandated, it is good practice in local government.

Governance (3 of 4)

How the body ensures effective processes and systems are in place to ensure budgetary control

The Corporate Strategy sets out five ambitions. Ambition 1 of the Council's Corporate Strategy is to be a well-managed Council providing efficient services based on identified customer needs. Objective 1 of this Ambition is to maintain critical financial management and controls, and ensure the authority provides council taxpayers with value for money, within the current financial constraints. Responsibility for budgets sits with the relevant Head of Service and their Director.

In-year financial reporting includes a forecast for the year end outturn. As previously set out this could be enhanced by the use of scenarios, a clearer articulation of the drivers for cost pressures and action being taken to address variances to budget and outturn for revenue and capital. Budget reports do include an Action column for all variances classed as Red Variances. Relevant non-financial information, such as service activity and workforce information, is not currently fully integrated into financial information.

We include the need for more integrated reporting on finance and performance in our key recommendation on page 7.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Corporate Management Team (CMT) meets weekly to discuss matters of strategic and operational importance to the Council. Weekly meetings also take place between the Chief Executive and the Leader of the Council.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

The Council has reviewed its financial management arrangements for 2022/23 in line with the CIPFA Financial Management Code and adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

Part 3 of the Council's constitution states the Policy and Finance Committee should consider and review the Council's Performance Management Framework including the monitoring and evaluation of performance indicators and take a lead on specific improvement objectives and on the monitoring and review of the Council's performance. Due to the impact of the pandemic this process has not taken place in 2021/22 or 2022/23.

The constitution also says the Accounts and Audit Committee should oversee and monitor the development and implementation of a comprehensive approach to Risk Management. Although it did not see the Council's SRR in 2022/23 the improved risk management arrangements the Council have put in place during 2022/23 have addressed this for 2023/24.

In 2022/23 a new procurement strategy was put in place but was not approved by Full Council as required by the constitution. The contracts register shows that in some cases some contracts (for example some system maintenance contracts) are purchased on a rolling basis. The Council's contract standing orders and best practice suggest consideration of multiple years in a single contract may improve value for money.

We address compliance with the Council's constitution in our key recommendation on performance management on page 7 and in our improvement recommendations on pages 20 and 25.

There were no reported data breaches or cyber-attacks in 2022/23, however the Council's Information Technology Security Policy is out of date from 2015. The policy should be updated to recognise the arrangements that are in place for data breaches and cyber security and the potential raised threat of these from greater home working. We raise an improvement recommendation on page 22 to update the Council's arrangements for information security to include data breaches and cyber security (it could look at the recent National Cyber Strategy 2022 as a guideline).

Governance (4 of 4)

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (continued)

The Council's Corporate Strategy 2019 – 2023 aims 'to aspire to be a carbon neutral borough by 2030' and includes a priority action 'to develop an action plan to work towards being a carbon neutral borough by 2030 which is based on a better understanding of our current carbon emissions'. In 2021 it published a Climate Change Strategy but there was no formal monitoring of it or the action plan in 2022/23. This is raised in our key recommendation on performance management (page 7).

On 27 September 2022, Policy and Finance Committee agreed the Council's Counter Fraud, Bribery and Corruption Policy. On 8 November 2022, the Policy and Finance Committee agreed the updated Whistleblowing Policy, last updated in 2016.



Improvement recommendations



Governance

Improvement Recommendation 5

From a best practice point of view, the Council could further enhance risk management by:

- in the SRR adding for each risk, key controls, direction of travel for each risk. It maybe useful to identify issues, risk and impact separately
- reporting the SRR quarterly to the Accounts and Audit Committee and regular reporting on the SRR to the Council and the service committees.
- including in committee reports a section on risk management with links to the SRR relevant risk.

Why/Impact

Effective risk management enables Councils to improve governance, confidence and trust; set strategy and plans through informed decision-making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

Auditor judgement

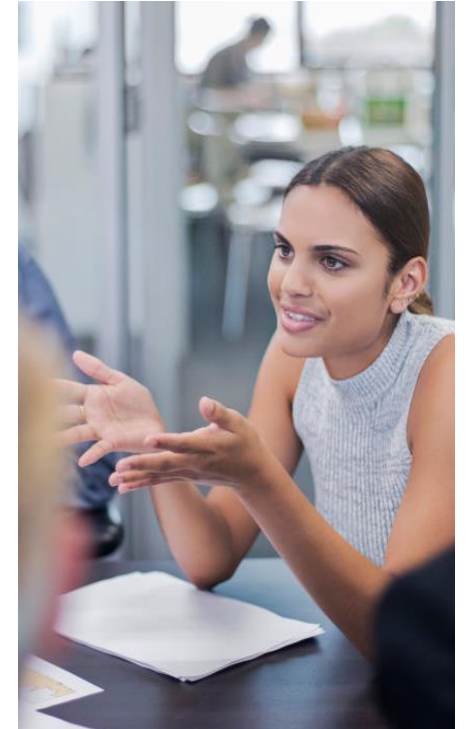
We found good practice in relation to risk and acknowledge the improvement made by the Council. This could be further enhanced with the additional points above.

Summary findings

While we found good practice in place already, it is also good practice to separate risk responsibility from internal audit to fully adopt the three lines of defence model.

Management Comments

The listed actions are already in place following the substantial review of the council's risk management arrangements during 2022/23. Substantial work has been undertaken in this area, which has become even more embedded during 2023/24. As explained to the external auditor, direction of travel was not included on the first report as there was no history around those risks to provide this information. The second report, which was reported to Accounts and Audit Committee later in 2023 was able to provide such additional information as direction of travel. The ownership of corporate risks by service committees will be further developed in line with the Risk Management Policy.



Improvement recommendations



Governance

Improvement Recommendation 6

The Council should consider the following to help improve member accountability on the Accounts and Audit Committee:

- providing elected members on the Committee with more detail as to why some audits receive only limited or partial assurance and what is recommended to improve assurances.
- ensuring elected members are informed about the implementation of audit recommendations.
- adopting the CIPFA guidance to include at least two co-opted independent members onto the Accounts and Audit Committee to provide appropriate technical expertise to support elected members.

Why/impact

The Accounts and Audit Committee is a key component of the Council's governance framework, set up to support good governance and strong public financial management. It plays an essential role in providing a high-level focus on probity, assurance and reporting and is concerned with the robustness of the Council's arrangements to implement its policies and to manage its resources. To deliver its role it needs the right balance of skills and assurances.

Auditor judgement

Elected members would benefit from having more detailed reports explaining why some audits receive only limited or partial assurance and what is recommended to improve assurances. They also need to be kept informed about the implementation of audit recommendations and to hold officers to account for following up recommendations. Elected members would benefit from support in technical areas, and we recommend that two co-opted independent members are invited to join the Accounts and Audit Committee to provide appropriate technical expertise to support elected members. It should be noted that we are aware that the items above are in progress and being implemented in 2023/24.

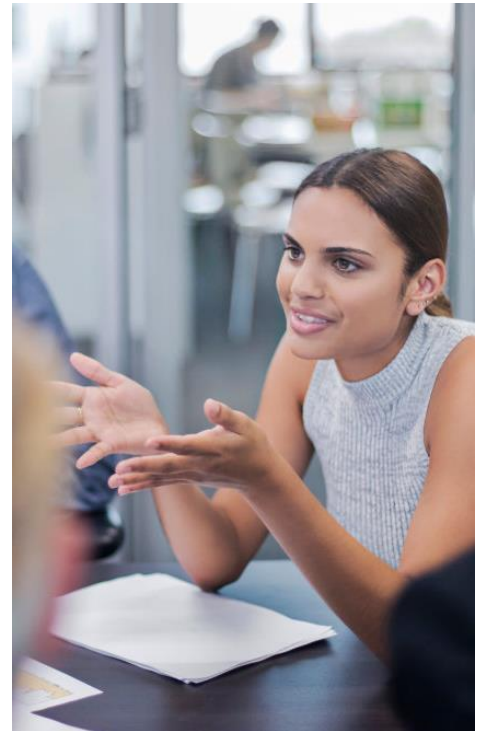
Summary findings

Elected members on this Committee need more detailed internal audit reports and we think they would also benefit from having lay member support to provide technical expertise.

Management Comments

The recommendations listed here are items that were openly explained by the council's Internal Audit Manager as actions that were already being undertaken during 2023/24 to improve our internal audit reporting to members, during the VFM meetings with the external auditor.

Members have already received this improved reporting format in September and November. Discussion have previously been had at Accounts and Audit committee and it was agreed that further reports be brought in respect of co-opted independent members.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 7

The Council is working with DLUHC and Local Digital and has secured funding. Work is ongoing and funding is supplementing work already underway, The Council could further consider the following:

- updating the Council's Information Technology Security Policy to include home working considerations, arrangements for data breaches and cyber security.
- taking guidance from the National Cyber Strategy 2022

Why/impact

Cyber security is crucial to ensuring services are kept up and running, it is also vital to ensuring the public trust councils with their information. A cyber-attack could have very serious consequences, both in terms of disrupting services and by damaging a council's reputation.

Auditor judgement

The Council could be exposed to a greater threat from cyber security because its arrangements are out of date.

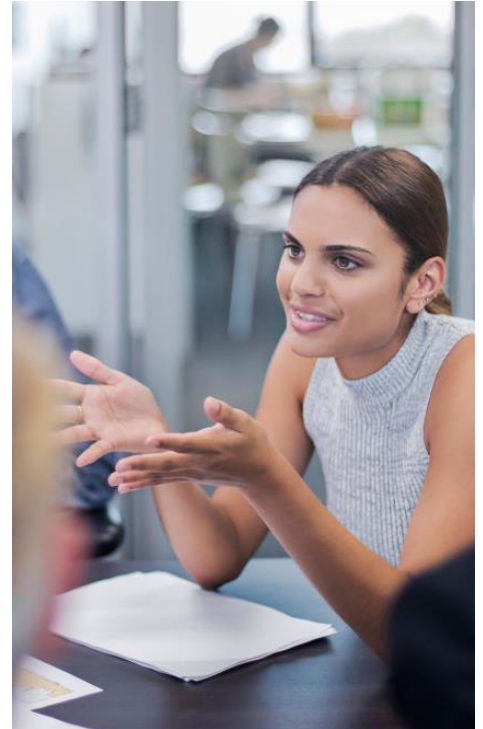
Summary findings

While there were no reported data breaches or cyber-attacks in 2022/23, we find the Council's Information Technology Security Policy is out of date from 2015 and does not consider arrangements for data breaches and cyber security or for raised threat of these from greater home working.

Management Comments

Extensive work is underway following receipt of funding through DLUHC/Local Digital Cyber support team, supporting schemes that are included in the capital programme and the development of our policies.

The Information Technology Security Policy will be refreshed as part of ongoing work in this area, but this does not mean that our current arrangements that are in place are out of date.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness (1 of 2)



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

The Council's four-year Corporate Strategy 2019/23 sets its strategic direction. The Strategy has five strategic ambitions and for each includes priority actions and success measures. As noted previously the Council needs to update its performance management framework in line with these ambitions. The main reason for not updating the framework was staffing changes and capacity partly as a result of the pandemic. Instead, in 2022/23 the Council relied on its previous performance framework. The lack of capacity meant there was little or no service committee performance reporting for 2021/22 or for 2022/23 and no annual delivery plan for the Strategy was reported in during 2022/23.

One of the actions in the Corporate Strategy is to aspire to be a carbon neutral borough by 2030. It was agreed that an action plan be developed including an understanding of its carbon emissions. In 2021 the Council published its climate change strategy. This can now be enhanced by including a performance framework.

The Council has the Pentana Performance System to record performance, but this needs to be used with the new performance framework aligned to the Corporate Plan for 2024-28. During 2022/23 the Council consulted residents on its new Corporate Plan priorities and received 770 responses. An effective performance framework will help the Council achieve the ambition in the plan and ensure the Council can report to elected members and to residents on its annual achievements. It would be helpful as part of this to have robust KPIs with benchmarking where appropriate.

The Council has already acknowledged that it needs to reintroduce performance reporting and develop meaningful indicators for its new Corporate Plan during 2023/24.

The Council needs to integrate performance and financial planning aligned to its corporate strategy. Joint quarterly monitoring of performance, risk and finance would help to ensure spending was achieving value for money and delivering effective outcomes.

It is recommended by the Local Government Association (LGA) that councils have a Corporate Peer Challenge every five years which makes recommendations for improvement. The last LGA CPC review was undertaken in 2017. The Council should consider obtaining an updated review to assist the Council in developing a medium-term transformation programme and identify key improvement priorities.

The Council did not use learning from a Local Government and Social Care Ombudsman report in a timely way to aid improvement. An initial report was shared with the Council in April 2021. It found the Council at fault in the way it dealt with a disabled resident. It had no system in place to identify disabilities and make reasonable adjustments to services. In July 2022, the Ombudsman issued a public interest report for the Council's non-compliance with their recommendations. This went to Policy and Finance Committee in September 2022. The Council has learnt from the findings of the report and now has a policy on reasonable adjustments for disabled people; a system to maintain adequate records relating to decisions on reasonable adjustments for disabled service users; and has made officers aware of their legal obligations under equalities legislation. The Council notified the Ombudsman it complied by November 2022, and the Ombudsman was satisfied by December 2022.

In June 2023 in the Annual Governance Statement 2022/23 the Council also recognised it needs to improve performance and reintroduce performance reporting to members.

Improving economy, efficiency and effectiveness (2 of 2)

How the body evaluates the services it provides to assess performance and identify areas for improvement (continued)

The Council needs to look at levels of delivery for statutory services. It needs to plan this work as long-term financial constraints continue to impact financial sustainability across the sector. The Council needs a strategic approach to assess required service levels, and effective performance data will help the Council in doing this.

In October 2022 members of the Housing and Health Committee were advised that the environmental health department has suffered with depleted staff numbers in 2021 and 2022. Members were advised some non-statutory functions such as bin emptying had not taken place but neither had some statutory services relating to private water supply risk assessing/sampling, and some industrial permitted operation inspections. The Council was non-compliant with statutory duties relating to water risk inspections to 119 properties in 2022/23 and up to August 2023 and we include this in our key recommendation on performance management on page 7.

Unit cost benchmarking with nearest neighbours shows high spend per head on waste collection, cultural and related services and council tax collection. We include a recommendation to review and challenge the cost effectiveness of existing activities and identify those which do not add sufficient value in our key recommendation on page 6.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified

The Council challenges Lancashire County Council in relation to the highways works it delivers on their behalf to ensure it remains cost effective. Given the scale of the future budget gap we recommend the Council has a wider conversation with its stakeholders to encourage further partnership working and help it find savings in the medium-term.

In January 2023, the Council launched the 'People Survey – Life in Ribble Valley' to find out what matters to those living, working, studying, or visiting the borough. This was the first survey since 2018 due to COVID. The survey feedback is expected to help shape the Council's Corporate Strategy 2023 - 2027. The Council is also developing a new online 'People's Panel' that is representative of the population. The People's panel will help inform the development of policies and strategies, inform decision-making and identify areas for service improvements.

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

The Council has a Procurement Strategy 2022-2024, however this has not been agreed/approved at Full Council. The Strategy covers the same themes as the National Procurement Strategy for Local Government.

Financial regulations and contract standing orders are updated annually and reported to the Policy and Finance Committee. These were last at Committee on 28 March 2023

Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement Recommendation 8

The Council has the required arrangements in place in respect of Procurement requirements. The Council could consider improving its procurement and contract management arrangement by:

- taking the procurement strategy to Full Council to agree.
- provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and VFM.

Why/impact

The Council has an important responsibility to ensure that procurement and contract management arrangements maximise the use of public finances, that value for money is achieved, and procurement delivers strategic priorities.

Auditor judgement

The Council's arrangements for procurement and contract management could be improved in some areas to further help ensure it is achieving VFM.

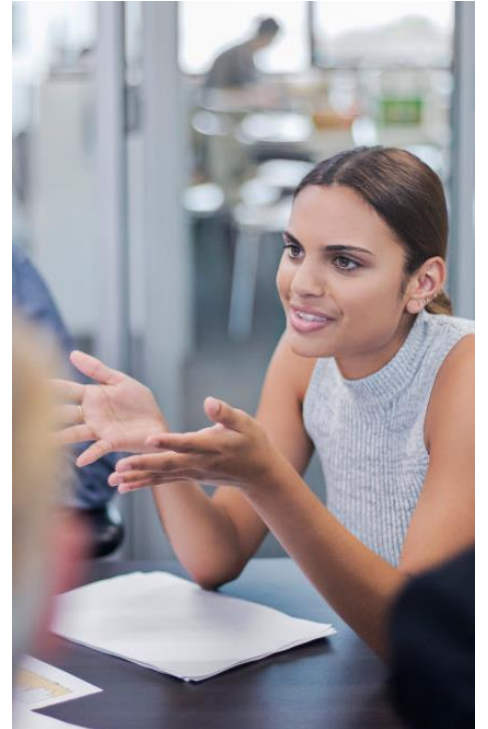
Summary findings

The Council has an up-to-date Procurement Strategy 2022-2024 that needs to be agreed by Full Council as required by the constitution. The contract register is available on the Council's website for contracts over £5k.

Management Comments

The Procurement Strategy will be reviewed again in the coming months and it will be ensured that this is agreed by Full Council

Further training where relevant will be provided on procurement and contract management. This will include the Procurement Act 2023 through the official learning and development offer for local government (Government Commercial Function)



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action required?
1	The Council's MTFS should be updated annually and cover a forward look medium-term period. As part of this the Council should ensure a range of sensitivity analysis and scenario planning methods are used and reported to members annually	Improvement	January 2023	The Council has a MTFS for 2023-2026. Sensitivity analysis and scenario planning methods are still not fully used.	Partly the Council now has an MTFS for 20223/24.	Yes, sensitivity analysis and scenario planning methods are still not fully used. We include this in our key recommendation (page 6).
2	We consider it good practice for the Council to look at the requirement to identify savings going forward programme	Improvement	January 2023	The Council did not action this in 2022/23.	No	Yes , we raise a key recommendation (page 6)
3	Provide a clear distinction between controllable and non-controllable spending information provided to members and publish it on the website.	Improvement	January 2023	The Council did not action this in 2022/23.	No	Yes, we include this in our key recommendation (page 6).
4	There is scope to expand the budget consultation to groups such as residents, businesses and the third sector	Improvement	January 2023	The Council does include consultation with business but does not consult the public or the third sector	Partly	Yes, we include this in our key recommendation (page 6).
5	The Council's risk management policy has not been updated since 2003 and needs updating. The Council should review the risks in the risk register to ensure they are scored correctly, and risk management training should be provided to members.	Improvement	January 2023	The Council has a new risk management policy, and has provided training for staff	Yes	No (only a good practice recommendation made)
6	The Council should maintain a register of policies	Improvement	January 2023	Some policies are still out of date, this was raised by the Council in the Annual Governance Statement for 2022/23.	No	Yes, and we raise in our performance management key recommendation (page 7)

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements.

Other opinion/key findings

We had no significant unadjusted findings in relation to the other information produced by the Council, including the Narrative Report or Annual Governance Statement.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 27 September 2023.

Issues arising from the accounts:

All adjusted misstatements identified for the Council's 2022-23 financial statements are disclosed in the 2022-23 AFR, Appendix C. There were no unadjusted misstatements.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and the supporting working papers continue to be of a good standard.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council is below the required threshold set for WGA procedures.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair;
- Prepared in accordance with relevant accounting standards; and
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

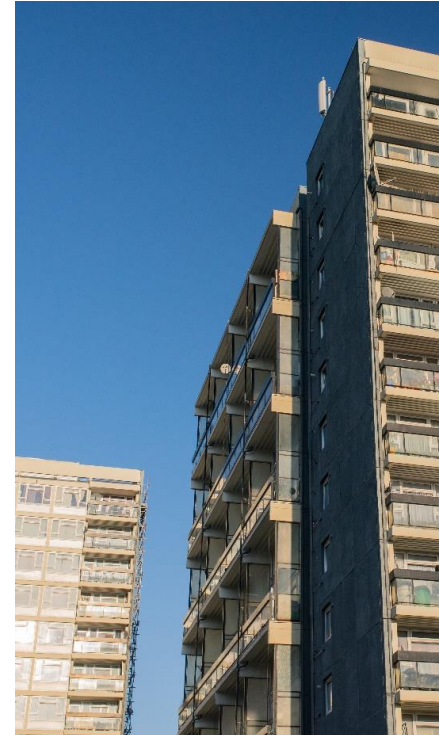
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by Government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We identified no such risks.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	Pages 6 and 7
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 14, 15, 16, 17, 22, 23, 24, 27

