Auditor’s Annual Report on Worcestershire County Council

2022/23

December 2023

Contents

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.

Executive summary

Value for money arrangements and key recommendation(s)

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 and 2022/23 is the third year that we have 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Audit Plan risk assessment		2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	The Council has set a balanced budget for 2023/24. The medium financial outlook is more uncertain, with budgets gaps of £22.4m identified for the 2024/25 financial year and gaps of £17.3m in 2025/26 and £10.5m in 2026/27. Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.	R	Significant weakness in arrangements identified and two key recommendation made relating to Financial Sustainability and Dedicated Schools Grant Deficit. One improvement recommendation has also been made.	A	No significant weaknesses in arrangements identified, but four improvement recommendations made.	↓
Governance	No risks of significant weakness identified at our audit planning stage.	R	Significant weaknesses in arrangements identified in relation to the Council's Risk Management and Internal Audit arrangements. Two key and two improvement recommendations have been made.	A	No significant weaknesses in arrangements identified, but three improvement recommendations made.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified at our audit planning stage.	G	No significant weaknesses in arrangements identified, and no improvement recommendations made.	A	No significant weaknesses in arrangements identified, but three improvement recommendations made	↑

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

Executive summary (continued)

Financial sustainability

The County Council is operating in an extremely challenging financial environment following a decade of austerity and spending pressures. The financial impacts of the pandemic are still ongoing and may take many years to unwind.

The Council has an embedded organisational approach to financial planning and setting the annual budget. However, we have identified significant weaknesses in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term.

The significant use of earmarked reserves and forecast future reserves balance is of major concern. Increased use of reserves and deteriorating balances may undermine the Council's ability to be financially sustainable in meeting its commitments in the short and medium term.

We have raised two key recommendations to reflect the challenges faced.

Indicators of financial stress include the following (but not limited to):

- An adverse 2022/23 Outturn position.
- A forecast adverse outturn position in 2023/24 with an underlying forecast structural deficit of £35 million.
- Increasing levels of demand leading to future costs pressures and a forecast cumulative deficit of £124.2 million by 31st March 2026
- Undelivered planned savings in 2023/24 increasing the cost pressure in 2024/25.
- Reducing levels of reserves. The 2023/24 to 2026/27 MTFS forecasts that at March 2025 the general and earmarked reserves balances could reduce to £45 million.
- Uncertainty around the Dedicated Schools Grant deficit balance: If the statutory override is not extended or financial support forthcoming to reduce the financial deficit, it will place additional significant pressure on the Council's reserves.
- There is a Capital Programme affordability risk due to increasing costs and additional pressures of programme slippage.
- Relatively high levels of debt.

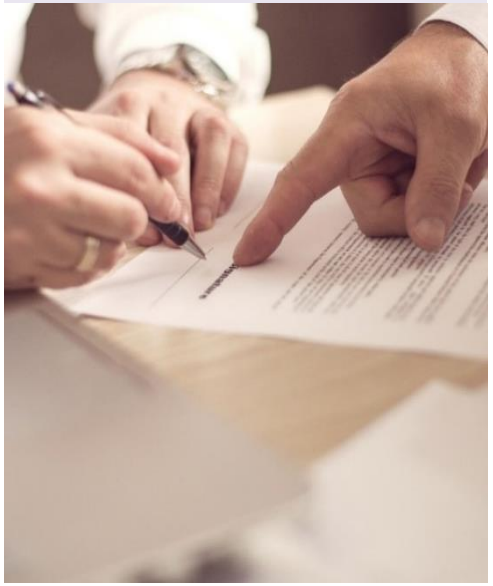
The Council has a strong record of financial management and is already responding to these matters. However, given the increased level of financial stress it is facing all members needs to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. Progress in delivering savings and transformation plans should be tracked by Cabinet, the Audit Committee and Scrutiny Committees.

Key recommendations 1 and 2 are shown over pages 8 to 10 of this report.

We have also raised one improvement recommendation which can be found on page 25.

Financial Statements opinion

We have substantially completed our audit of your 2022/23 financial statements and hope to issue an unqualified audit opinion shortly , following the Audit Committee meeting on 1 December 2023. Our findings are set out in further detail on pages 49.



Executive summary (continued)

Governance

Informed Decision Making

Worcestershire County Council has a governance framework in place which directs decision making processes and supports appropriate member and officer behaviour.

Arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken. The Council has in place a Leader /Cabinet model of Governance. The Constitution includes the principles of decision making and the rules, codes and protocols that govern how the Council operates. The Constitution also sets out the functions of the statutory posts of Head of Paid Service, Monitoring Officer, Chief Finance Officer and designated Scrutiny Officer.

Risk Management

There have been a number of significant changes made to the arrangements for managing risk during the year. Risk management and monitoring was part of the Internal Audit service until July 2022 when it moved to the Performance Team. Arrangements were decentralised to allow individual Directorates to manage their own risk with oversight from the Corporate Risk Management Group. We consider that there has been insufficient member oversight of risk management. In particular, the risk management reporting to the Audit and Governance Committee meetings held in July and September 2022 was not sufficient to provide assurance that risk was being appropriately managed. We did not evidence any risk management reporting to its meetings held in November 2022 or March 2023.

From our review of AGC meeting minutes, we can evidence that the AGC have provided some level of challenge, for example in September 2022, minutes document that the Senior Leadership Team (SLT) be requested to address the issue of risk management with greater urgency. Minutes of meetings held between November and May 2023 do not document any challenge from the Committee in respect of the lack of reporting. A robust risk management framework which is working effectively is a fundamental element of good governance. We have concluded that there was lack of a robust and embedded risk management framework in place covering the 2022/23 year under review.

Internal Control

We do not consider that the Internal Audit provision for 2022/23 was fully compliant with all of the requirements of the Public Sector Internal Audit Standards (PSIAS). The 2022/23 Internal Audit Plan did not include adequate coverage of financial controls, risk based reviews or Risk Management arrangements. There has been significant slippage of delivery against the plan and there have been a number of changes to the plan, In particular, a number of reviews were not completed and AGC papers do not demonstrate that changes and omissions to the plan have been approved by the AGC. We note that the PSIAS external assessment of the service is overdue.

We consider that the weaknesses in Risk Management and Internal Audit to be a significant weakness in arrangements and have included a key recommendation on that basis. See Key recommendations 3 and 4. These can be found on pages 11 and 12 of this report.

Three further improvement recommendations have been made and can be found on pages 30 to 32 of this report.

Executive summary (continued)

Improving economy, efficiency and effectiveness

We noted a number of improvements have been made to the arrangements in place following our 2021/22 review and consider that the improvement recommendations made have been fully implemented. This includes:

- Performance reporting against Corporate Plan priorities, supported by public facing is operating. Corporate Plan performance is now available on the Council's website.

- Performance reporting has been developed using Power BI technology allowing for data to be extracted from live real time data sets. This provides the most up to date information available.

- Power BI reporting has continued to be embedded and has been developed for monitoring against Corporate and Communities performance indicators; this information is also available on the Council's website.

- Performance reporting narrative has also developed and includes an overview of drivers or pressure impacting performance and action being taken to address these where appropriate.

Procurement processes and guidance has also been updated and improved. A review has been completed in respect of the Councils Financial Regulations and Contract Standing Orders (CSOs) which are now in draft and will be published as part of the updated Constitution. As part of this, procurement thresholds for procurement activity and approval have also been reviewed and updated and a Procurement Threshold document produced.

Supplier Categorisation and Management Guidance has been developed. This is based on Platinum, Gold, Silver or Bronze methodology and will enable the Council to ensure there is a consistent approach to contract management, based and proportionate to an assessment of risk.

We have not reported any areas of significant weakness or made any improvement recommendations in respect of the Council's arrangements for ensuring the economy, efficiency and effectiveness of its services.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
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 make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
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 a public interest report.
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 an application to the Court.
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 notices.
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 make an application for judicial review.

Key recommendations

Key Recommendation 1	The Council has a strong record of financial management and is already responding to these matters. However, given the increased level of financial stress it is facing all members needs to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. Progress in delivering savings and transformation plans should be tracked by Cabinet, the Audit Committee. and Scrutiny Committees.
Identified significant weakness in arrangements	Signs of financial stress that indicate a threat to its financial sustainability in the short and medium term.
Summary findings	Indicators of financial stress include the following: • Reserves: The significant use of earmarked reserves and forecast future reserves balance is of major concern. The Council's Earmarked Reserves have decreased during 2022/23 reflecting their budgeted use and the requirement for utilisation to fund the in year and year-end overspend. Longer term reliance on using reserves to balance overspending will not be sustainable. The forecast balance at March 2025 of general and earmarked reserves is £45 million • 2022/23 Outturn - £7.316 million overspend against a total net revenue budget of £373.2 million; this is an adverse variance of 1.96%. • 2023-27 MTFS - For 2023/24 to 2026/27 the MTFS shows a balanced position for 2023/24, based on delivery of £22.4 million savings. There was a budget gap of £45.675 million between 2024/25 and 2026/27. • 2023/24 Delivery At period 6, the Council are forecasting a projected year end net overspend of £21.876 million. This is after mitigations of additional Business Rate Income of £4.1 million and use of £9 million reserves. The gross forecast overspend is £35 million. The Council have described this as a structural deficit (ongoing spending pressure above income) • Additional demand and costs pressures for 2024/25 of £30 million in addition to the structural deficit means a savings / service reductions or additional funding of £65 million will be required. • The cumulative deficit forecast is £124.2m by 2025/26 • £17 million of the £22.4 million savings target are forecast to be achieved in 2023/24, resulting in an increased savings requirement of £5.4 million to be delivered in 2024/25 (currently included in the forecast overspend position). In addition £3.1 million is non-recurrent and will also need to be addressed in year or for 2024/25. 15% of those which are included in the 17 m are rated amber as there is some risk of non-delivery. • Uncertainty around the Dedicated Schools Grant deficit balance.

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the
Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 1	Continued from previous page.
Criteria impacted by the significant weakness	Financial sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	The Council has an embedded organisational approach to financial planning and setting the annual budget. However, we have identified a significant weakness in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term and have raised a key recommendation to reflect the challenge faced.
Management comments	Management agrees with the findings, Cabinet and SLT are focused and working on options to balance the 2024/25 Budget which will impact on our Medium Term financial position. This is due to significant pressures on our demand led services (Children's and Adults Social Care and Home to School Transport) which impact on councils across the country. There will be a redesign of the council with a focus on structure that is smaller, leaner and affordable within the financial resources available as well as looking at the offer of services provided to residents. The Chief Financial Officer has written to DLUCH to keep them fully informed on the pressure impacting on the Council. This is a challenge given there is a number of national policies that need to be addressed by government after the next election , one of the most significant is High Needs Funding which despite the Council participating fully in the Delivering Better Value Programme is one are that cannot be solved without fundamental policy changes.

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 2	The Council needs to ensure that there is a robust plan in place outlining how the DSG deficit will be brought back into balance. Regular reporting and oversight of progress should be provided through the Children and Families Overview and Scrutiny Panel.
Identified significant weakness in arrangements	The DSG deficit balance provides financial stress that threatens the Council's financial sustainability. If the statutory override is not extended or financial support forthcoming to reduce the financial deficit, it will place additional significant pressure on the Council's reserves and put at risk the Council's general fund unearmarked and earmarked reserves balances.
Summary findings	The outturn position of the High Needs Block in 2022/23 was £11.1 million. The overall DSG deficit reserves balance at 31 March 2023 was £20.3 million. This is made up of the accumulative deficit balance of £11.3 million, built up from previous years overspends, the High Needs Deficit in 2022/23 of and Savings on other Blocks of (£2.1 million).
Criteria impacted by the significant weakness	Financial sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	The council has a growing DSG deficit. If the statutory override is not extended or financial support forthcoming this will impact the Council's financial stability. Continuing and urgent action is needed to reduce the financial deficit or to secure financial funding from the Government.
Management comments	Management agrees with the findings, High Needs Funding is a significant issue for this Council and others which cannot be solved without fundamental policy changes. The Council is participating fully in the Delivering Better Value (DBV) Programme and as part of the DBV programme we have secured an additional £1m to help contain the increasing deficit and we have submitted a DSG management Plan as part of this process. We continue to brief MP's and this issue has been raised as with DLUCH as part of our financial challenges. This issue is raised transparency with Elected Members and Schools Forum.

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the
Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 3	The Council must ensure there are robust arrangements in place, covering the whole year, to manage risk. This includes but is not limited to: • Ensuring there is an up to date Strategy in place which sets out clearly defined roles and responsibilities for all key stakeholders. • There is supporting Risk Management guidance or operational procedures which include as a minimum, the approach and process for: – Risk identification and assessment, including scoring methodology and impact assessment criteria. – Managing Risks, including determination of controls and assurances. – Risk Monitoring and Oversight, including reporting, escalating and de-escalating risks. • Ensuring there is appropriate and timely reporting to the Audit and Governance Committee (AGC) to enable the Committee to demonstrate that it has discharged its duties in ensuring the Council has appropriate and effective Risk Management arrangements in place. • A review of Audit Committee effectiveness is undertaken to assess how well functioning the Audit and Governance Committee is in discharging its duties.
Identified significant weakness in arrangements	The Council has not sufficiently progressed the improvement recommendations made within our 2021/22 to improve the arrangements in place for managing risk. A lack of risk management reporting to AGC between September and March 2023 has resulted in the Committee being unable to demonstrate that it has discharged its duties in ensuring the Council has appropriate and effective Risk Management arrangements in place.
Summary findings	We did not see evidence that the Risk Management Strategy or supporting guidance had been updated and embedded. There was insufficient reporting of risk in the early part of 2022/23 and we did not evidence any reporting in the latter part, at its meetings held in November 2022 and March 2023.
Criteria impacted by the significant weakness	Financial sustainability · Governance · Improving economy, efficiency and effectiveness

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the
Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.
Management comments	Management agrees with the findings, sustainable work has already been undertaken to enhance the Council's approach to Risk Management and be more transparent on the risks impacting on the Council and mitigations in place. At the July Audit and Governance Meeting the Strategic Directors for Commercial and Change and Economy and Infrastructure attending to outline the revised Corporate Approach to Risk Management and the new reporting arrangements which is now a standing item at each Committee as well at the Chief Officer Group who undertake the corporate responsibility of management of risk. Risk Management training has been provided to Audit and Governance Committee in September 2023.

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 4	The Council must ensure there are robust arrangements in place for providing Internal Audit provision which is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) and does not impact the Chief Audit Executive's ability to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This includes, but is not limited to, ensuring: • The Annual Internal Audit Plan provides adequate coverage in the areas of Risk Management, Governance Arrangements and Financial Controls. • In year delivery is sufficient to provide assurance and to inform the Head of Internal Audit Opinion and that any slippage is minimised. • Any changes or omissions to the plan are approved by the Audit and Governance Committee (AGC) and the risk of such changes or omissions are fully rationalised. • External assessment of the service is commissioned.
Identified significant weakness in arrangements	The Internal Audit provision is not fully compliant with the requirements of the PSIAS.
Summary findings	• The 2022/23 Internal Audit Plan did not include adequate coverage of financial controls, risk based reviews or Risk Management arrangements. • There has been significant slippage of delivery against the plan. • There have been a number of changes to the plan, in particular, a number of reviews not completed. • Audit and Governance Committee (AGC) papers do not demonstrate that changes and omissions to the plan are approved by the AGC or that the risk of such changes or omissions are fully rationalised. • External assessment of the service is overdue.
Criteria impacted by the significant weakness	Financial sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Management comments

It is acknowledged that the Internal Audit Service is not currently fully compliant with PSIAS and is awaiting an External Quality Assessment. The External Quality Assessment lapsed due to extenuating circumstances which saw negotiations taking place between the County and Districts for a combined audit provision. To have undergone an external assessment at that time when the Service could have looked very different would have been a waste of money and resource. This 'merger' did not materialise and there was a loss of key staff from the Service in a very short period. Over the past 12 to 18 months this has resulted in significant difficulties regarding capacity. There is no question that this has significantly impacted the delivery of the audit plan as there has been insufficient resource available to fully deliver the internal audit plan. These significant capacity issues have impacted all areas of the internal audit Service including key areas i.e., plan, risk and anti-fraud and corruption for 2023/23 and 2023/24.

The numbering of the reports during 2022/23 was not sequential, the year prefixing was not always accurate and overall did not directly reflect the number of concluded audits. Worcestershire Childrens First reports were not reported to the council's Audit and Governance Committee but would have formed part of the audit programme numbering protocol. Several reports with a 2021/22 prefix in the reference were carried out as part of the 2022/23 Plan and used to inform the overall opinion. The combination of these factors may have given an impression of missing reports. The numbering protocol for 2023/24 has been corrected, is sequential and reflects only those audits for Worcestershire County Council and Worcestershire Childrens First taking place during the year.

Key appointments have been made to the service, a Chief Internal Auditor, a Finance Business Partner and Scale 6 role in late in 2023. Since November 2023 a Service Vision and Plan has been established and is now in place to address the potential risk areas that currently exist within the Service. The Plan and approach will see a gradual transformation of the Service over the next 12 to 18 months as it works towards becoming once again fully compliant with PSIAS. New Standards are due to be rolled out in January 2025 so the Service will be working towards those rather the existing ones that are being updated. Any changes that are planned will be adjusted to reflect any impact from the current financial constraints the Authority is facing. Notwithstanding financial constraints, Internal Audit will move towards a better organisational plan coverage and more informed reporting being placed before Committee. A closer worker relationship is also being established with the Assistant Director for Legal and Governance (Monitoring Officer) and Head of Business Intelligence (Risk) so a wider understanding of corporate governance can be gathered to ensure weaknesses highlighted in March 2023 will be addressed.

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

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 16 to 49.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)

Local context

Worcestershire is nestled in the heart of Britain and home to around 600,000 people. Worcestershire is a largely rural county made up of six districts: Bromsgrove, Malvern Hills, Redditch, Worcester, Wychavon and Wyre Forest. Wychavon district has the largest proportion of the total population in the county and Malvern Hills the smallest. In June 2021, the population of Worcestershire was estimated to be around 603,675, an increase of 0.9% from the previous year. Between 19-24% of the population in each of the six districts are children and young people (0-19 age group). Redditch has the highest proportion with 23.4%. 6.2% of the Worcestershire population is from a minority ethnic group, with the largest proportion (3.1%) being of Asian heritage. Worcestershire is a relatively affluent county with a growing economy and performs well on many measures of health and wellbeing compared with other areas of the country. That said, the latest available figures (from 2021) show that in Worcestershire 16.5% of children do live in low-income families. The England average is 18.5%.

Worcestershire County Council delivers an array of services which support residents and businesses. These include providing social care for some of the most vulnerable in society, helping the next generation get the best start in life through education, investing in its transport network, disposing of household waste sustainably, provision of library services and country parks and supporting health & wellbeing within the communities.

The Council oversees over £1 billion of public expenditure each year and employs over 2,600 full-time equivalent staff across the Council and Worcestershire Children First, making us one of the largest organisations in the County.

Financial sustainability

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.

The Council has an embedded organisational approach to financial planning and setting the annual budget. However, we have identified a significant weakness in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term and have raised a key recommendation to reflect the challenge faced.

2022/23 Financial Performance

The Council approved the 2022/23 to 2025/26 Medium Term Financial Strategy (MTFS) in February 2022. The provisional outturn position against the 2022/23 *budget*, at 31st March 2023 was a net overspend of £7.316 million against a total net revenue budget of £373.2 million; this is an adverse variance of 1.96%.

From review of committee papers, we note that this is an improved outturn position when compared with budget forecasts earlier in the year when it was anticipated that the overspend would amount to £13 million. However, it is a decline in position when compared to the previous year which delivered an underspend of £1.336 million against a net £352.5 million budget.

There were some significant adverse variances to the budget. These were largely due to inflationary pressures and demand led services ie. Adult Social Care, Children's Social Care and Home to School Transport, exacerbated by the needs and demands arising post Covid-19 and more recently by the current and on-going cost of living crises.

Overspends in demand led services were partially mitigated by underspends in other service areas and in central budgets. This is demonstrated in the table opposite. Further details and some key areas to note are shown on the following pages of this report.

The £7.316 million overspend for 2022/23 is to be funded from adults and children's earmarked reserves.

All variances are clearly set out within the budget outturn report and from review we can evidence where the Council has instigated further action or investigation in respect of significant variances; in particular overspends.

Service Area Over / Underspends 2022/23:

Service Area	Variance after adjustments Over / Underspend (-) £000	% of budget
Total WCF (Excl DSG)	6,544	6
Total Economy & Infrastructure	(717)	-1.21
Total Commercial and Change	(525)	-6.83
Total Chief Executive	(912)	-27
Total People - Adult Services	6,441	4.64
Total People - Communities	(463)	-2.25
Total Public Health	0	0
Total : Services (Excl DSG)	**10,368**	**3.05**
Total Corporate Items	(3,552)	-10.25
Total Non-Assigned Items	500	0
Total Expenditure (Excl DSG)	**7,316**	**1.96**

Financial Sustainability (continued)

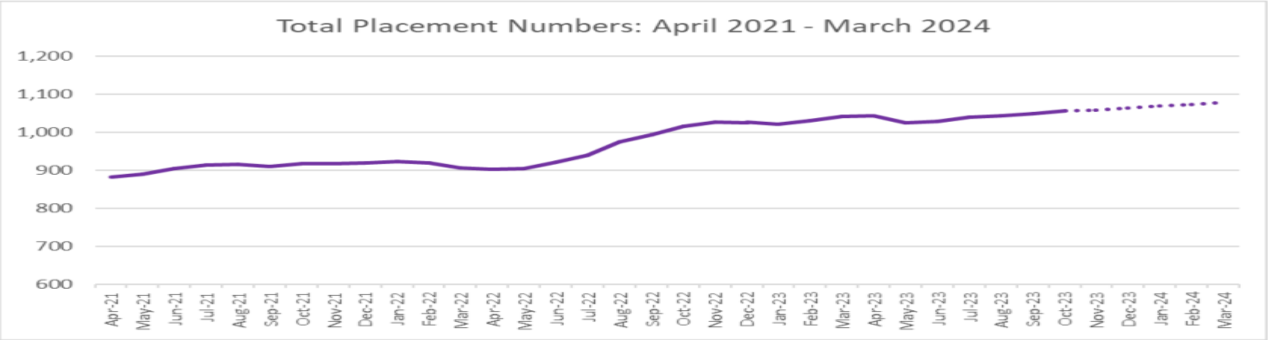
Financial Resilience

Children's Services - **Worcestershire Children First (excl. Dedicated Schools Grant) – Contract Price £137.1m net budget £109.1m, £6.5m net overspend.**

There was a gross overspend in 2022/23 of £10.6 million which after in year mitigations gave a net overspend of £6.5 million. The Council has reported in its out-turn report that the main factors driving the overspend were increased costs related to demographic pressures in placements for Looked After Children and rising costs in residential and external foster care provision. Demand and increased costs for Home to School Transport also contributed to the overspend:

- £5 million overspend in Children's Social Care placements following an increase in placements over the year as well as the average unit costs over the year which increased mainly due to the impact of inflation. The number of placements at the end of March 2023 was 1,042 (639 external), compared with 906 (489 external) at the end of March 2022, an increase of 136 or 15%.
- Home to School Transport (HTST) overspent its £18.5 million budget by a net £5.3 million (£6.3 million gross) mainly due to current inflationary pressures on providers and increased demand for mainstream and SEND transport for pupils. This has resulted in increased prices for the service – primarily the impact of fuel and staffing costs. This is also impacted by increased demand with more parents seeking use of transport and more children receiving a transport package as part of their Education, Health and Care Plans.

The 2023/24 period 6 financial monitoring report shows that the servce is forecasting an overspend outcome position at year end of net £28.578 million. This is an adverse budget position of 19.6% The report documents that placements for Looked After Children are currently forecast to overspend by £19.3 million which is 21% above budget. Current placement numbers are 1,049, a 5.6% increase from the 993 recorded in June 2022. A sharp increase in numbers between January 2023 and March 2023 has meant that WCF is starting the year with around 10% more placements than expected at budget setting. In addition, the price of external placements is increasing at a faster rate than last year, with some placements now costing more than £20,000 per week.



Children and Young People - Social Care

Single tier councils and county councils spent £12.2 billion in 2021/22 and have increased their budget to £12.7 billion in 2023/24 as demand for children's social care services have increased.

30 out of 36 county councils overspent their Children's Social Care budget in 2021/22.

Councils have a statutory duty to safeguard and promote the welfare of children at risk. A range of services can be provided including support to families as well as keeping children safe from harm and providing services for those children who are 'looked after' by the council.

In recent years there has been an increase in demand with an increase in the number of child protection places and looked after children, as well as an increase in complexity of the needs of the children.

The increase in demand and complexity has resulted in an increase in the cost of individual residential placements which are often not local and outside the Council's geographical locality as well as private and agency foster carers.

Many councils have failed to model and anticipate the increase in demand and as a result lack sufficient local quality provision and are now actively trying to meet this challenge.

Financial Sustainability (continued)

Financial Resilience - continued

Adults Services – Adult Social Care gross budget £253.5m, net budget £138.9m, £6.4m net overspend

The 2022/23 Adult Social Care budget had a gross overspend of £11 million which, after in-year mitigations, gave a net overspend of £6.4 million, with key areas of variances from budget as follows:

- £4.6 million overspend in Learning Disabilities due to higher than forecast numbers of clients, particularly in the younger adult's area of the service and significant increases in unit costs with average costs being 43% greater this year than budgeted expectation.
- £2.1 million overspend in Mental Health due to higher than expected placement costs, especially in Residential and Nursing services. Numbers of clients in Supported Living have also significantly increased during the financial year and unit costs for the service have increased by an average of 22.5%.

The 2023/24 period 6 financial monitoring report shows that the service is forecasting an overspend position at year end of net £5.863 million. This is an adverse budget position of 4%. The report documents that demand and unit cost has continued to rise above planned estimates, which is demonstrated in the charts below. At September 2023, client numbers are 5.5% higher than in March 2023, equating to a net increase of 366 packages of care. Unit costs have continued to demonstrate a sustained increase, with an overall increase of an average of £150 / person / per week since March 2021.

The report notes that the directorate is working on a number of demand management opportunities and also reviewing the unit costs of all high-cost placements to ensure value for money whilst ensuring the clients Care Act needs are met. This includes focussing on the potential use of direct payments, community support and the further development of the Here2Help offer.

Chart 1 – Adult Placement Numbers

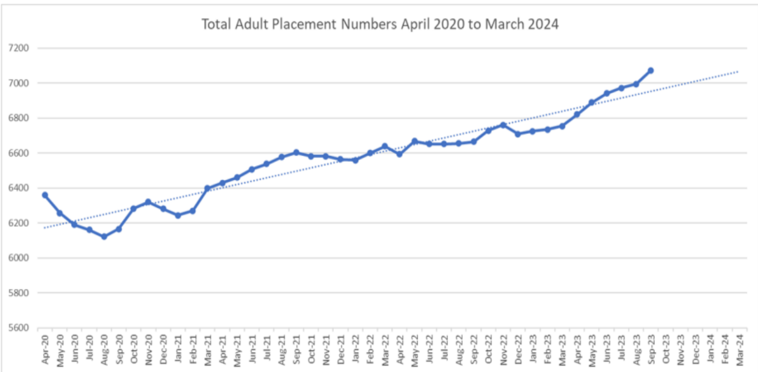
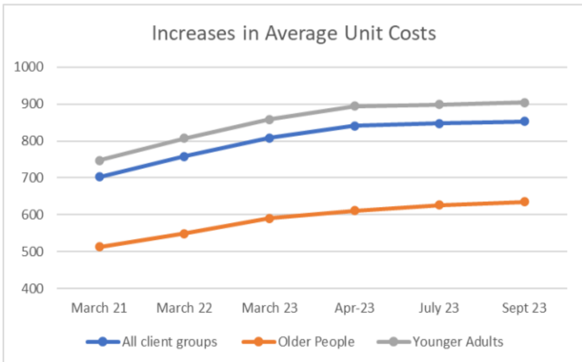


Chart 2 – Adult Unit Costs



Adult Social Care

Single and upper tier Councils are responsible for providing adult social care (ASC) services to help adults of all ages who may need additional support to stay well, safe and where possible to live independently.

ASC represents a significant part of Council spending with £19 billion being spent in 2021/22 with budgeted expenditure rising to £19.7 billion in 2022/23, reflecting growing demand.

There have been several reforms to ASC funding for Councils over recent years, including the introduction of the Better Care Fund and giving Councils the power to raise additional revenue locally though Council Tax (the social care precept). Despite these changes Councils are delivering ASC services within a challenging environment that is shaped by more people, particularly working-age adults, requesting support, an ageing population and increasing complexity of need. These factors are being managed by Councils alongside financial challenges such as the impact of inflation, acute workforce pressures, the sustainability of commissioned ASC providers and uncertainty around longer term ASC funding and reform.

Despite these pressures Councils will need to establish sufficient capacity to track and then transform service delivery to meet the challenges of evolving need and demand.

Financial Sustainability (continued)

Financial Resilience - continued

Dedicated Schools Grant (DSG)

We have identified a significant weakness in the Council's arrangements. We have concluded that the DSG deficit balance provides financial stress that threatens its financial sustainability. If the statutory override is not extended or financial support forthcoming to reduce the financial deficit, it will place significant pressure on the Council's reserves and put at risk the Council's general fund unearmarked and earmarked reserves balances.

Key recommendation 2.

The DSG is a ring fenced budget which is allocated in blocks for schools, early years and high needs. Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the recently released Green Paper and Improvement Plan are set to result in systemic changes to the national SEND system, such changes may take a number of years to deliver.

High Needs funding and the impact of the deficit is not unique to Worcestershire and to address the future sustainability the DfE has invested a one off £85 million over three years in the Delivering Better Value in SEND (DBV) programme which the Council are one of 55 authorities participating.

From review of the year-end outturn report, it is evident that High Needs has been a significant challenge this year for the Council, with an increase in the number of children who have an Education Health and Care Plan (EHCP). At the end of the financial year there were 5,070 Children and Young People with an EHCP. As a result of this increase, there are more students placed in Independent Schools and specialist post 16 placements.

Through working with the Delivering Best Value (DBV) programme, the Council has benchmarked its position and reports that the High Needs Block expenditure has risen by 23% in the past 3 years and the number of children with an EHCP has increased by 21% over the same period.

The outturn position of the High Needs Block in 2022/23 was £11.1 million.

The overall DSG deficit reserves balance at 31 March 2023 was £20.3 million. This is made up of the cumulative deficit balance of £11.3 million, built up from previous years overspends, the High Needs Deficit in 2022/23 and Savings on other Blocks of (£2.1 million). By 31 March 2024 it was forecast that the balance of the reserve will be around £27.8 million deficit. Recent financial monitoring indicates that the current forecast for 2023/24 the deficit balance will increase to £34.4m at year-end and is forecast to be £43.9m by the end of 2024/25.

The Council has not set aside any of its own resources to specifically offset this accumulating deficit reporting that they are unable to afford to do so and the deficit will continue to be held as an unusable reserve. All local authorities that have a cumulative DSG deficit of 1% or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit back into balance in a three-year time frame. From review of Children and Families Overview and Scrutiny Panel papers; we did not see evidence of oversight or monitoring of a DSG Deficit Recovery Plan.

Dedicated Schools Grant Deficits

On 12th December 2022, the UK Government announced that it would be extending statutory override for the Dedicated Schools Grant (DSG) in England for the next 3 years, from 2023-24 to 2025-26. By the time this period elapses, the statutory override will have been in place for six years. Recent estimates put the total national deficit for local authorities in tens of billions by March 2023.

Whilst statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits – because how these will crystalise as liabilities in 2026 is not clear.

Within DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result will be a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

Financial sustainability (continued)

Medium Term Financial Strategy (MTFS)

The Council has an embedded organisational approach to setting the annual budget, which is based on corporate priorities. There is good Member engagement during the budget setting process, with Member budget briefings and review of budget proposals by the Scrutiny Committees.

There is evidence of processes to recognise, assess and evaluate the impact of changes in expenditure drivers, for example unavoidable cost pressures such as inflation and pay uplifts, and to reflect and document these in its planning and risk assessment.

In February 2023, Cabinet approved the Worcestershire County Council four year MTFS to 2026/27, which incorporates a revenue budget for 2023/24 totalling £400.813 million. The MTFS provides a balanced budget in 2023/24 based on a Council Tax increase of 4.94% (including the social care levy), but identifies £67.9 million of investment and pressures, which includes pay and non-pay inflation. The MTFS recognises that demand for services continues to increase, in particular across Adults and Children's Social Care and assumptions around growth figures are included.

These pressures are partly mitigated through the use of additional Government Funding, Council Tax increases and use of £5.2 million of earmarked reserves. This leaves a budget gap and subsequent significant savings, efficiencies, and additional income requirement of £22.4 million. The MTFS documents the savings plan and the Council reports that the proposals have been identified, evaluated and assessed and are considered to be realisable

Based on its assumptions around future growth and demand; the MTFS has identified further budget gaps of £45.675 million between 2024/25 and 2026/27.

In November 2023 the Council reported to Cabinet on its continuing challenging financial outlook and provided an overview of its current financial position which, at period 6, was forecasting a projected year end net overspend of £21.876 million; an adverse variance of 5.5%. This is after mitigations of additional Business Rate Income of £4.1 million and use of £9 million reserves.

£17.0 million of the corporate savings target of £22.4 million are forecast to be achieved in this financial year, resulting in an increased savings requirement of £5.4 million to be delivered in 2024/25 (currently included in the forecast overspend position). In addition £3.1 million is non-recurrent and will also need to be addressed in year or for 2024/25. This represents the significance of the financial challenge faced by the Council in the current financial year and over the coming years.

We noted the transparency in the Council's reporting; providing briefing reports to members prior to the meeting of the Cabinet. We also note that the Council continue to lobby Central Government regarding funding concerns.

Key recommendation 1.

Local Government Finance Settlement

The Government announced the Provisional Local Government Finance Settlement for 2023/24 in December 2022, with the Final Settlement confirmed in February 2023. The Settlement distributes a range of grants and business rate income allocations to local authorities, and these should be included in the annual budget.

The Final Settlement for 2023/24 distributed £17.1 billion of funding to Local Authorities, a 4.8% increase in cash terms from 2022/23.

The Settlement also provides the Core Spending Power for Local Authorities, which is the level of resources assumed available to fund the net budget. Core Spending Power includes the levels of government grant for the coming year, for example revenue support grant, new homes bonus and social care grants. It also includes assumed levels of business rate income.

Core Spending Power includes the assumption that local authorities will increase council tax up to the referendum limit, which for 2023/24 is 3% plus an additional 2% for upper tier authorities who provide adult social care services. District Councils can increase council tax by £5 or 3%, whichever is higher.

The Government will undertake Spending Reviews that set out government departmental budgets over a period of 3 years, including local government. These reviews are different to, but inform, the annual Local Government Finance Settlement.

Financial sustainability (continued)

Identifying savings

The Council has arrangements in place for identifying savings with appropriate monitoring and reporting to Cabinet. However, the Council needs to ensure there is robust management of saving programmes to reduce reliance on reserves to balance budgets.

We have previously reported that the Council has not been robust in delivering on its savings plans and included an improvement recommendation in our 2021/22 report to reflect this.

The savings target for 2021/22 was £12.3 million, which was broken down between £7.1 million identified in 2021/22 and £5.2 million brought forward from the previous year as Corporate Savings not delivered.

The total savings and efficiency target for 2022/23 was approved at £8.1 million in February 2022. This was broken down between £3 million specific department savings and £5.15 million for cross council savings which includes £1.5 million brought forward from 2021/22.

£0.5 million remained unachieved at the end of the 2022/23 financial year, however £2.3 million was achieved non-recurrently. The budget for 2023/24 reset the baseline for savings and efficiency targets at £22.4 million, which includes the £0.5 million not achieved and the £2.3 million non-recurrent savings from 2022/23.

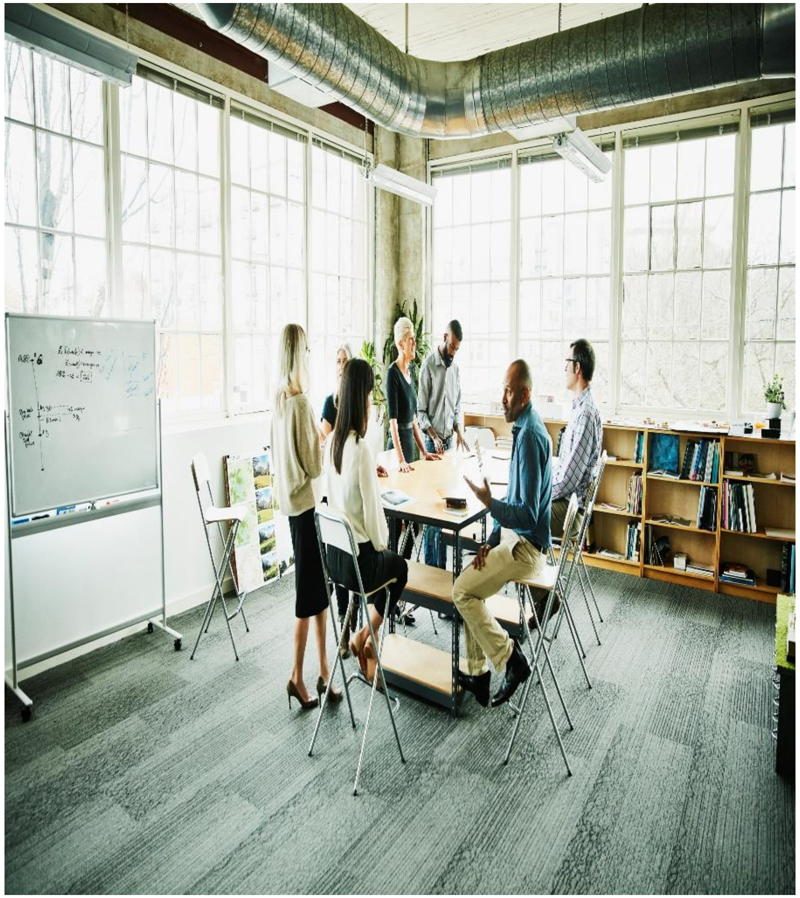
Rolling forward undelivered savings is not uncommon but does not demonstrate a strong track record of savings delivery.

From review of the 2023/24 period 6 financial monitoring report we note that of the £22.4 million of savings targets, 24% are RAG rated red where there is significant risk of non-delivery. At the end of September 2023 the Council is forecasting delivery of £17 million which is made up of 61% that are rated as green i.e. delivered or expected to be fully delivered but a further 15% are rated amber where there is some risk of non-delivery.

£1.6 million of these proposals are relating to one-off use of grants and a further £1.5 million of the savings are also one-off, giving a recurrent pressure from 2024/25 of £3.1 million to be mitigated.

We note that the Council reports that work continues to identify alternatives to deliver the budgeted savings.

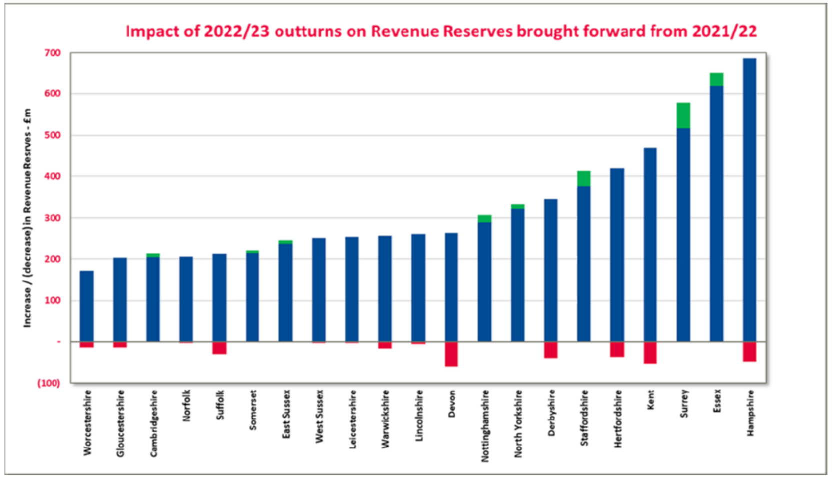
We **consider this to be a sign of financial stress which impacts the financial sustainability of the Council.**



Financial sustainability (continued)

Reserves

Worcestershire County Council has the lowest level of reserves when benchmarked against County Councils nationally:



Earmarked reserves are set aside for specific purposes. General fund reserves are designed to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years.

The general fund balance has not changed during 2022/23 and remains at £14.3 million which is 3.8% of the Council's net revenue budget for 2022/23. It is the responsibility of the Section 151 Officer to advise the Council of the level or general fund reserves balances required which is based on an assessment of risk. In February 2023 as part of the Cabinet 2023/24 Budget and Medium Term Financial Plan update, it was reported that the balance must not reduce below this level. We confirmed by review of the 2023/24 to 2026/27 MTFS that it does not include planned use of the general fund balance and remains at £14.3 million.

The Council's Earmarked Reserves have decreased during 2022/23 reflecting their budgeted use of £14.4 million and the requirement for utilisation to fund the in year and year-end overspend of £7.316 million which was funded from the adults and children's earmarked reserves. Reserve balances, which are set aside for specific purposes, have decreased from £157.7 million as at 31 March 2022 to £144.1 million as at 31 March 2023.

The 2023/24 to 2026/27 MTFS agreed in February 2023 identified budgeted use of reserves of £7.2 million in 2023/24 and assumes a further £5.5 million use of reserves corporately to close the gap for the bottom line.

The Council continues to face significant financial challenge which impacting the financial position in 2023/24. Increase in the cost of placements for Children's Social Care and forecast overspends in Home to School Transport and Adult Social Care mean the net overspend forecast at year end is currently £22 million. Period 6 Financial monitoring report to Cabinet in November 2023 proposes additional unplanned use of £9 million ear-marked reserves to offset the overspend position.

The significant use of earmarked reserves and forecast future reserves balance is of major concern Use of reserves to balance budget gaps and in year overspend is not sustainable in the longer term. From review of the 2023/24 to 2026/27 MTFS the Council that at March 2025, while general fund reserves are unchanged, earmarked reserves could decrease to £30.7 million:

Table 5 – Reserves Forecast 2022-2025

	Opening Balance (£m)	Forecast Reserve Balance (£m)	Forecast Reserve Balance (£m)	Forecast Reserve Balance (£m)
	31/03/2022	At 31/03/2023	At 31/03/2024	At 31/03/2025
Open for Business	18.245	16.742	5.194	1.128
Children & Families	13.194	8.849	4.449	2.449
The Environment	5.371	6.754	2.916	0.297
Health & Wellbeing	35.561	9.546	3.089	0.283
Efficient Council	13.028	10.994	5.25	3.288
Risk	51.087	31.582	27.116	20.868
Capital	8.026	11.529	2.541	0
Unusable	13.168	6.91	3.410	2.410
Total Earmarked Reserves	157.680	102.906	53.965	30.723
General Fund Reserves	14.300	14.300	14.300	14.300
Total Reserves	**171.980**	**117.206**	**68.265**	**45.023**

Uncertainty around funding, demand and growth pressures leading to overspends at service level put the Council's future financial sustainability at risk, further impacting the level of reserve balances the Council holds. The Council needs to ensure that its spending and funding plans are managed robustly. This includes strong management of saving programmes and a reduction in any reliance or use of reserves to balance budgets.

Financial sustainability (continued)

Capital Programme

There was Capital Programme slippage of £77.3 million in 2022/23 which has increased the 2023/24 programme from £119.7 to £197 million. There is a risk of non-delivery, increased costs and further slippage into future years.

In February 2022 the Council approved a Capital Programme of £146.1 million covering the period 2022/2023 to 2024/25. This set a Capital Programme in the region of £73.4 to be delivered in 2022/23.

Since the approval of the Capital Programme, additional external funding in the form of government grants and Other Local Authority Funding has been received, which has increased the Capital Programme to £184.2 million in 2022/23. The Council delivered £106.9 million of this meaning that £77.3 million is carried forward to 2023/24. therefore

We evidenced through review that budget monitoring reports include an overview of the capital programme and progress against spend. Commentary on the assumptions and impact of the programme on borrowing costs is also included as part of the budget and MTFP.

From review of the Council's outturn report we can see that progress has been made on a number of significant capital projects with £106.9 million spent in 2022/23. The report notes that a number of major schemes have been progressed or finalised during the year.

We note that the slippage was reported to be largely due to the impacts of sourcing materials, environmental factors, delays in planning approval timescales and delays in grant allocations.

In our 2021/22 we reported on the impact of slippage and included an improvement recommendation that the Council assesses the ability to deliver the and the impact of carrying forward slippage in the Capital Programme into future years.

We note from the reporting that an exercise was planned to be undertaken to establish the carry forward impact of schemes to future years and a revised reprofiled Capital Programme will be reported to a subsequent Cabinet meeting.

Treasury Management

The Council has appropriate arrangements in place for its Treasury Management activity. The Treasury Management Strategy Statement and the Annual Investment Strategy are approved in advance of each financial year as part of the budget and MTFS approval process.

Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, ultimately representing balances which need to be invested until the cash is required for use during business.

For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Investment Strategy.

The Council employs Treasury Management advisors who provide information and advice on interest rate movements which is used to inform borrowing and investment decisions.

The Council's Capital Financing Requirement (CFR) (underlying need to borrow) at 31 March 2023 was £691.5 million. This is compared to £661.1 million at the start of the year. The estimated closing position was £723 million when the 2023/24 Treasury Management Strategy was approved by Council in February 2023.

The 2022/23 borrowing need did not increase in line with expectations due to slippage and reprofiling in the Capital Programme.

Total external borrowing and other capital financing liabilities of the Council at 31 March 2023 was £534.5 million and the total interest paid servicing external debt for the year was £28.6 million.

The difference between the CFR and external borrowing was £157 million, which was financed temporarily by 'internal borrowing' i.e. the use of reserves and working capital, which has offset the need to borrow externally.

From our benchmarking carried out we noted that Worcestershire County Council has high levels of debt in comparison to other county council peers, ranking 3rd highest for borrowing as a proportion of long-term assets. This level of debt is within the Capital Financing Requirement for 2022/23 and also meets the Prudential Indicators for the authorised limit for external debt (£818 million) and the operational boundary (£740 m).

The Chief Financial Officer reports that the Council complied with its prudential indicators in the current year and, being significantly under borrowed, does not envisage difficulties for the future. No new long-term loans were taken out during 2022/23.

As at 31 March 2023 the Council held cash and cash equivalents of £65.8 million and treasury investments valued at £0 million – (in total £44.2 million Treasury Management investments met the cash and cash equivalents criteria, due to investing short term to take advantage of the interest rate increases). The total interest receivable and investment income for the Council for the year was approximately £9 million (£0.9 million related to Treasury Management Investments).

Financial Governance

Annual budget setting

The Council has appropriate arrangements in place to work internally and externally when preparing the annual budget.

Annual budget setting arrangements are well developed. There are a number of processes undertaken to prepare, agree and scrutinise proposals which, following discussion with key officers are well embedded and understood by those charged with responsibility for setting and approving the budget.

Under the Council's Constitution the responsibility for approving the budget sits with full Council. It includes a Budget and Policy Framework Rules which provides an overview of the approval and consultation process, highlighting that this will be published as part of the "Forward Plan" but does not document these timescales within the policy. See improvement recommendation 5.

The process is based on an incremental budgeting approach that starts with the base budget, predicts known changes, such as inflation, pay awards and considers any new pressures arising from demand or changes in the mechanisms of funding. The process starts in early autumn, with refreshes of the MTFP with department accountants all feeding into the process. Gaps are then identified, and savings plans are evaluated.

Members are involved early in the process with away days and discussions held with officers before the budget it prepared and shared with Cabinet. The first paper is presented to the December cabinet with an update in January and then February before going forward to full Council for approval.

Budgetary control

The Council has embedded arrangements in place to ensure budgetary control and communicate timely management information.

The budget monitoring and reporting process in place is well embedded with detailed budget reports provided to the Senior Leadership Team on a monthly basis. These include an explanation of significant variances and assumptions used, a forecast outturn position, risks to the budget and actions for each chief officer to take.

As part of its Finance Improvement Plan, it has also developed and delivered a three module Financial Awareness training programme to budget managers and officers across the Council, with in excess of 300 delegates attending in year. This has promoted the importance of reliable budget monitoring, forecasting and control and raises awareness relating to where the Council gets its money from and where it is spent. Feedback on the course has been hugely positive and has not only improved financial awareness across the Council and WCF, but has raised the profile of the role finance across the organisations.

Public reporting on the budget is provided via Directorate reporting through Overview and Scrutiny Panels and whole Council reporting via Cabinet. Our review of Cabinet papers confirmed there is clear and transparent reporting in place confirming the Council's current position and forecast year end position. This is further broken down for each directorate to provide an overview of performance and cost pressures council wide.

We have considered the arrangements in place for the preparing, approving and monitoring of the 2022/23 budget during what was another difficult year to accurately forecast costs and income due to the ongoing effects of the pandemic, and increases in inflation and demand etc. We have concluded that the Council has a robust organisational approach to financial planning and setting the annual budget.

However, we have identified a significant weakness in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term and have raised a key recommendation to reflect the challenge faced.

Improvement recommendations

Improvement Recommendation 1	The Council should ensure there is a robust financial governance framework around the delivery of its Capital Programme.
Improvement opportunity identified	To mitigate the risk of Capital Programme affordability due to increasing costs and additional pressures of programme slippage.
Summary findings	There was programme slippage of £77,299 million increasing the 2023/24 budget from £119,696 to £196,995 million. There is a risk of non-delivery and further slippage into future years.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	It is acknowledged that this area needs to improve, and steps have already been put in place in 2023/24 financial year. A Capital Board has put in place which is chaired by the Chief Executive and all capital spend must go through this route prior to Cabinet and full Council for approval. Every new scheme and changes to existing scheme need to be reviewed and challenged by the Capital Board, following receipt of business case, prior to being submitted to Cabinet. Treasury Management Training and linkages with the Capital Programme has been provided to all Senior Officers and elected members. Full council approved a new Capital Strategy on 9 November 2023 which confirmed the strengthening of these arrangements. A training programme dedicated to Capital Monitoring and forecasting and all managers who hold a capital budget will be required to undertake this training. This training will be delivered by the Deputy s151 which will supplement the finance awareness training currently in place, this is set up and managers are all already booking on to these courses. The level of slippage has been reviewed during the second quarter of 2023/24 and to date c£40m has need reprofiled to future years. All project manager have been written to remind them of their Corporate responsibilities.

Governance

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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk Management

We have concluded that there was a lack of evidence to demonstrate a robust and embedded risk management framework in place covering the year under review. A lack of risk management reporting to the Audit and Governance Committee (AGC) between September and March 2023 has resulted in the Committee being unable to demonstrate that it has discharged its duties in relation to Risk Management. We consider this to be a significant weakness in arrangements and have included a key recommendation on that basis. Key recommendation 3.

High level responsibilities for managing risk are documented within the Authority's Constitution which delegates responsibility to the AGC to "ensure that a corporate risk management strategy is drawn up and to consider, monitor and review the effectiveness of the Council's Risk Management arrangements".

Following our review in 2021/22 we reported that the Council's Risk Management Strategy clearly demonstrates the Council's commitment to Risk Management. However, we also reported that the Strategy lacked a number of key elements we would expect to be included to provide a consistent and robust approach to managing risk at all levels across the Council. We recommended a number of improvements be made. From our review of Cabinet and AGC papers between March 2022 and September 2023 we could not evidence that the Strategy had been updated or supported by an operational procedure policy.

From our review of reporting to AGC in July 2022, we concluded that there was insufficient information to provide an adequate level of assurance that risks were being appropriately managed. We did note that the report does evidence that the arrangements in place were being enhanced including the introduction of a Strategic Risk Management Group. The report also notes that a framework was being developed to ensure the relevant risks are clearly identified and appropriate mitigation strategies are in place.

From discussion with key officers we note there have been a number of significant changes made during the year.

Risk management and monitoring was part of the Internal Audit service until July 2022 when it moved to the Performance Team. Arrangements were decentralised to allow individual Directorates to manage their own risk with oversight from the Corporate Risk Management Group.

Reporting to AGC in September 2022 documents that a new risk management system had been implemented at directorate level and across 14 service areas with 34 operational risk registers giving a more accurate picture of risk. However, while the report provides an overview and heat map of risks within these areas, it does not provide assurance that risk is being appropriately managed.

We were unable to evidence risk management reporting to the AGC meetings held in November 2022 or March 2023. Reporting to AGC in July 2023 demonstrates that reporting was being developed and had commenced for 2023/24.

From our review of meeting minutes, we can evidence that the AGC have provided some level of challenge. For example, in July 2022 it documents the request for the Risk Management report to the September 2022 Committee to include details of how the Council intended to review its approach to risk management and in September 2022 it was agreed that the Senior Leadership Team (SLT) be requested to address the issue of risk management with greater urgency. Minutes of meetings held between November and May 2023 do not document challenge from the Committee in respect of the lack of reporting.

In line with good practice, Audit Committees should assess their effectiveness annually. This is often completed via anonymous self assessment questionnaires to assess the arrangements in place and the understanding of all individuals in their role as part of the Committee. From our review of AGC papers, we did not evidence that this has been undertaken.

To provide assurance that the Audit and Governance Committee is well functioning in discharging its duties, we have recommended that a review of effectiveness is undertaken and any areas identified for improvement or learning are appropriately actioned.

Governance (continued)

Internal Control

The Council has in place arrangements for the provision of Internal Audit and Counter Fraud Services which are provided by Worcestershire County Council's in house Team.

Internal Audit

We have considered there to be a significant weakness in arrangements during 2022/23 and have included a key recommendation on that basis. Key recommendation 4.

We have identified improvements to be made within the internal audit planning process as we do not consider the 2022/23 Internal Audit plan was fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS).

Staff changes and a lack of resource throughout the year have significantly impacted service delivery.

These issues impact the Chief Audit Executive's ability to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

From discussion with key officers, we can see that 2022/23 saw some significant staff changes within the team. This impacted almost all levels within the service. These include the Chief Internal Auditor, Finance Business Partner and Scale 6 roles. Several posts within the Team remained vacant for the majority of the year; this included the Head of Internal Audit role which was being covered under an interim arrangement until the substantive role was filled in November 2023.

It is evident that this has had a significant impact on delivery; however the Head of Internal Audit confirmed there was sufficient audit coverage to be able to provide a year-end Head of Internal Audit opinion.

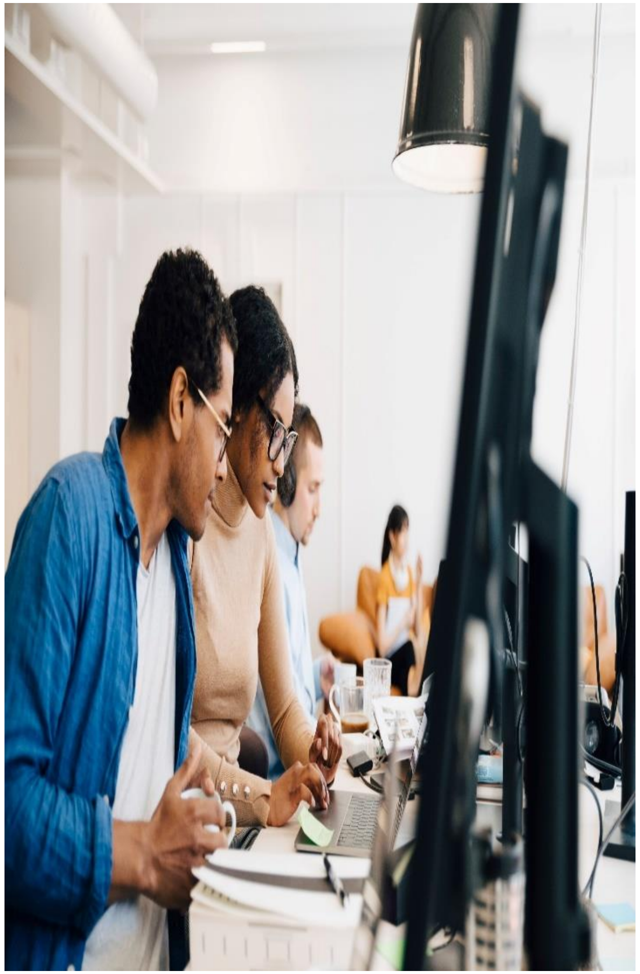
The 2022/23 Internal Audit Plan was approved by AGC in March 2022. The key areas of focus are documented and include areas such as risk-based assurance reviews, management requested assurance reviews, individual school audits and Grant certifications etc. The team also provides Internal Audit to Worcestershire Children's First and Worcestershire Pension Fund.

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes. From review of the 2022/23 Internal Audit Plan we noted that there were only two pieces of planned County Council assurance work. Assurance work provides an opinion of how well systems and processes are working and, in addition to other work carried out, is relied upon to inform the overall annual Head of Internal Audit Opinion. The plan also did not include any financial controls assurance reviews or a review of Risk Management; both of which are also crucial in providing the year end opinion.

To provide an Annual Internal Audit Plan that is compliant with the requirements of the PSIAS, the internal audit activity must:

- evaluate the effectiveness and contribute to the improvement of risk management processes.
- evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the reliability and integrity of financial and operational information.

We do not consider that the 2022/23 Audit Plan was compliant with these requirements.



Governance (continued)

Internal Control - continued

Review of delivery has evidenced significant slippage of planned work in both 2021/22 and 2022/23. It is also evident from the numbering of reports that a number of reviews have not been completed.

We acknowledge that plans contain a certain amount of flexibility to respond to the changing environment and emerging risk, however, to be fully compliant with the PSIAS the Chief Audit Executive must communicate significant changes to Senior Management and the Audit Committee for review and approval. From review of AGC reporting, we could not evidence where significant changes and particularly where reviews may have been removed from the plan have been approved.

Where reviews are delayed or removed from the Audit Plan, the Council needs to be assured that this does not expose the Council to prolonged or additional risk. The AGC should ensure that all significant changes are appropriate and justified to enable approval to be given.

From review of the 2022/23 Annual Report and Head of Internal Audit Opinion, we noted that it documents 58 pieces of work have been completed during the year, however, the report does not provide a full itemised list of reviews that have been competed to provide clarity on the basis of the overall opinion concluded. We did note that slippage from 2021/22 has provided additional risk based assurance reports.

To ensure the service is compliant with PSIAS an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. During 2022/23 the internal audit service delayed the external assessment which is now overdue. We were informed that the priority during 2023/24 will be to re-establish a full team and aim to ready the service for a PSIAS reassessment during 2024/25.

Counter Fraud

Local Counter Fraud is also provided as part of the Internal Audit Provision. These arrangements are not uncommon in Local Government; however we did note that the Counter Fraud Plan of work is integrated and embedded within the Internal Audit plan of work. To maintain objectivity and independence we have recommended that this is presented separately. In addition, the Council should ensure that reviews to assess the fraud arrangements in place are carried out by an officer not involved in the day to day counter fraud process.

From review of the 2022/23 plan we noted that it is largely driven by reactive investigation work along with the requirements of the National Fraud Initiative programme. However, we did not see evidence that there is an annual or biennial Fraud Risk Assessment undertaken to direct a proactive work programme.

Progress reports of Fraud Activity are provided to the AGC as part of the Internal Audit Progress reports.

There are a suite of policies in place to manage and mitigate the risk of fraud, these are reviewed and updated on a biennial basis, including, but not limited to:

- Anti Fraud & Corruption Strategy
- Anti Money Laundering Policy
- Whistleblowing Policy

However, in all of these cases, we noted that all are now out of date. From discussion with key officers we were informed that those policies administered by the Internal Audit Team will be reviewed and updated following the substantive appointment to the Head of Internal Audit role.

Improvement recommendation 2.

Whistleblowing

With whistleblowing regulation on the rise, it is more important than ever that, not only does an organisation have a Whistleblowing Policy in place, but also understands how the effectiveness of the policy is being assured and how the Council are sighted on issues raised. Those charged with governance should ensure that:

- Whistleblowing arrangements are effective, accessible and inclusive to all staff groups.
- Staff know how to raise concerns and do not experience detriment as a result.
- There are arrangements in place to allow triangulation of whistleblowing concerns with wider performance and delivery of a service.
- The Council are sufficiently sighted on all whistleblowing concerns and the actions taken to investigate and respond.

As the National Audit Office has reported, concerns raised by staff can be an important source of information on which to base improvements. However, to raise concerns or 'blow the whistle' can make people vulnerable. Alongside clear, comprehensive and accessible policies to support and reassure staff at what is likely to be a stressful time, these policies must be backed up by a culture of transparency and openness, so that employees feel enabled to raise concerns.

Governance (continued)

Informed Decision Making

Arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken.

The Council has in place a Leader and Cabinet model of Governance. The Constitution includes the principles of decision making and the rules, codes and protocols that govern how the Council operates. The Constitution also sets out the functions of the statutory posts of Head of Paid Service, Monitoring Officer, Chief Finance Officer and designated Scrutiny Officer.

Procedural standing orders outline guidelines regarding the holding of meetings and confirm that the Assistant Director for Legal and Governance shall be responsible for compiling the agendas for, and formal decision notices or minutes of, meetings of the Council, Committees and Panels

All Committee /Cabinet meetings are scheduled in advance and have in place forward plans to ensure all items of business are included and to reduce the risk short term decisions.

In our 2021/22 review we reported that the Constitution was out of date and needed to be reviewed. It was agreed that this would be tasked to the new incoming Monitoring Officer. We note from review of the website and discussion with the Monitoring Officer that this is not yet complete, however a draft action plan for review of the Constitution was presented to the AGC in September 2023 and indicates the proposal for completion by May 2024.

The improvement recommendation made in 2021/22 is therefore still in place.

Standards and Behaviour

The Council has arrangements in place to monitor standards, such as meeting legislative /regulatory requirements and standards in terms of officer or member behaviour.

From discussion with key officers, we confirmed that processes are in place to ensure Cabinet and Executive decisions are appropriate and comply with relevant legal, statutory, regulatory and budgetary requirements. The Council's Chief Officer Group and Senior Leadership Team maintain oversight of all reports prior to presenting to Committee /Cabinet.

There is evidence of an appropriate "tone from the top" being set in respect of decision making and behaviour from Senior Officers and Members. Codes of conduct are in place for Members and Officers which are contained within the Constitution. Members are required to declare all interests which are published publicly. The opportunity to declare interests in respect of specific agenda business is provided at the start of each meeting.

Receipts of gifts and hospitality are also recorded.

In additional there is a Member / Officer Relations Protocol which sets out the key expectations of behaviours, linked to Nolan Principles of Public Life.

Any significant governance considerations are reported as part of the Annual Governance Statement (AGS). From review we noted the following have been included as a focus for review in 2023/24 relating to decision making and behaviours:

- An assurance gap analysis of decision making, including boards and roles of directors to help drive a constitutional refresh to support and strengthen effective business decision making. This will include schemes of delegation and contract procedure rules.
- Actions to further enhance the working between Officers and Members, including Officer Register of Interests.

On further inspections of the AGS, we noted that there were five key areas of focus identified for 2023/24. However these had also been identified as areas for focus in 2022/23 and appear to have been rolled forward.

We have included an improvement recommendation to ensure that key areas of focus, identified as Significant Governance Considerations in the AGS are appropriately undertaken to ensure that the Council is not exposed to increased or prolonged risk.

Improvement recommendation 3

Governance (continued)

Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on Local Authority risk registers and where Local Authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Net Zero

Net Zero refers to the point at which carbon emissions being emitted into the atmosphere are balanced with their removal, meaning there is no overall addition to atmospheric levels.

The Council declared a climate emergency in 2021. It has set a target to be carbon neutral by 2050 and is working in partnership to achieve the Worcestershire LEP Energy Strategy aim of halving the county's carbon emissions by 2030. This commitment is also articulated within the Council's Corporate Plan "Shaping Worcestershire's future".

In 2020, the Council Published its first Net Zero Carbon Plan. This was in direct response to the Notice of Motion agreed at the Council meeting on 16 May 2019.

The plan outlines the initial work undertaken and has provided the carbon footprint of the Council in 2019/20 compared with the initial baseline emissions data set in 2009/10; recording that overall, the Council's total accounted (ie those in scope) carbon emissions had reduced by 40%. This is demonstrated in the table opposite.

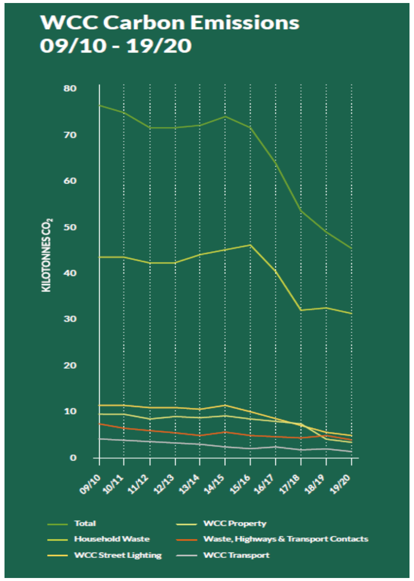
The plan sets out it's the 10 point planned approach to achieving net zero carbon emissions, supported by an initial two-year action plan and longer term proposals.

A further Notice of Motion was agreed at the Council meeting on 15 July 2021 following which the Council agreed to declare a climate emergency and commit to the following:

- Endorse the Council's Net Zero Carbon Plan.
- Continue to work with partner authorities to review and update all relevant strategies.
- Establish a Member Advisory Group to assist with the future revision of the plan and report annually on actions taken.
- Reaffirm the target of reaching net carbon neutral by 2050 in line with the Government's target.

Meeting Net Zero by 2050 is a key priority documented within the Council's Corporate Plan which records that "the County Council has halved its emissions in the last decade". As a Corporate Plan priority, performance is measured over time to demonstrate the progress being made and the results are published on the Council's Website. This is shown in the tables opposite which demonstrates that steady progress has been made each year.

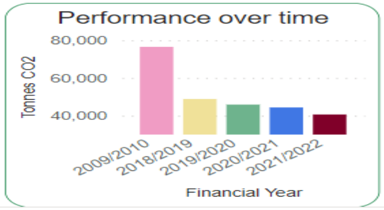
We noted oversight and reporting through the Environment Overview and Scrutiny Committee. In November 2022 this included details of a recent benchmarking exercise carried out by Sustainability West Midlands which ranked the Council top for carbon reduction, sustainable growth and natural environment and 6th overall out of the 21 councils that responded.



Reduce Council's carbon emissions towards Net Zero by 2050

40,642

2021/2022 result (latest figure)



Improvement recommendations

Improvement Recommendation 2	To further enhance the Counter Fraud arrangements in place, the Council should: • Demonstrate objectivity and independence between the Counter Fraud and Internal Audit Team. • Include pro-active work in addition to re-active work, driven by a co-ordinated fraud risk assessment process. • Ensure all fraud related policies as reviewed an updated.
Improvement opportunity identified	To further enhance and strengthen the Counter Fraud arrangements in place.
Summary findings	The Council has established arrangements for delivering Counter Fraud. Our findings and recommendation have been made to further enhance and strengthen these processes.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Management agrees further improvements can be made. Internal Audit will continue to monitor and promote the fraud hotline, post scams and alerts on Yammer to educate, and ensure anti-fraud and corruption requirements feature in audit reviews. The suite of anti-fraud and corruption policies will be reviewed and updated by the end of March 2024. The Whistleblowing Policy was reviewed in October 2023 with the next scheduled review October 2026. There will remain a reliance on the National Fraud Initiative to identify the bulk of potential frauds with Internal Audit coordinating the upload of data sets and reporting progress to Audit and Governance Committee. Internal Audit will establish a Fraud Risk Assessment as part of the annual planning process to target resource as there is no longer a dedicated fraud team available due to financial restrictions. The Assessment will not be reported in the public domain due to the sensitivity of the information. The impact of no longer having a dedicated counter fraud team available will impact on our ability to proactively fight fraud. All fraud investigation requirements will be undertaken by a senior member of staff within the internal audit team.

Improvement recommendations

Improvement Recommendation 3	The Council must ensure that key areas of focus, identified as significant governance considerations in the Annual Governance Statement are appropriately undertaken.		
Improvement opportunity identified	to ensure that the Council is not exposed to increased or prolonged risk.		
Summary findings	The 2022/23 AGS identifies five areas of significant governance consideration for 2023/24. However all of these areas had been included within the 2021/22 AGS for consideration in 2022/23 but have been rolled forward. In 2022/23 only one out of six areas of focus has been completed.		
Criteria impacted by the finding	Financial Sustainability	Governance	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.		
Management comments	Agreed the Monitoring Officer will lead this area of work supported by the Chief Financial Officer and the wider Chief Officer Group.		

Improving economy, efficiency and effectiveness

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.

Use of financial and performance information

The Council has embedded processes in place to monitor and report upon its Strategic and Departmental performance.

The Council's Corporate Plan – Shaping Worcestershire's Future, sets out the priorities for the County and the services it provides. It highlights "how the Council will evolve its way of doing business to be able to deliver them and ensure its resources are used to maximum effect". The Plan is based on four key priorities:

- Open for Business
- Children and Families
- The Environment
- Health and Wellbeing

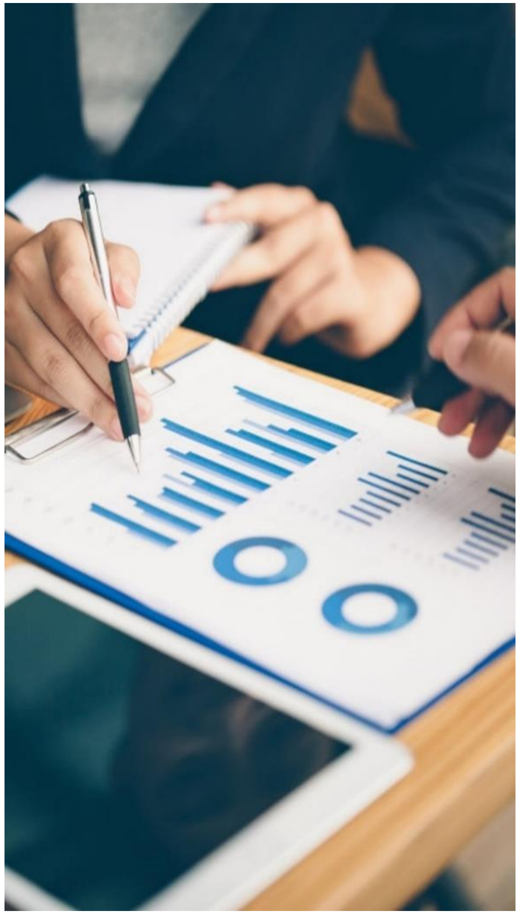
For each priority the Plan documents how success will be measured and the metric that will be used to monitor performance. The council has been developing a new hierarchy of performance indicators to align to the success measure within the Corporate Plan. These have been designed to give greater insight of the activities supporting the indicators and the ability to hold to account at all levels of seniority.

Performance reporting has been developed using Power BI technology allowing for data to be extracted from live real time data sets, providing the most up to date information available.

Corporate Plan performance is available on the Council's website. However we did not see evidence that reporting its performance against Corporate Priorities is provided for Cabinet oversight; although we did evidence that 2022/23 year end performance had been reported to the Overview and Scrutiny Performance Board.

From review of the information it provides, clear demonstration of the current position with an analysis and comparison over time where available.

Power BI reporting has also been developed for monitoring against Corporate and Communities performance indicators; this information is also available on the Council's website but we did note than in year reporting in 2022/23 was provided for Corporate and Communities Overview and Scrutiny Panel.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement - continued

Children and Family Services

Children with SEND

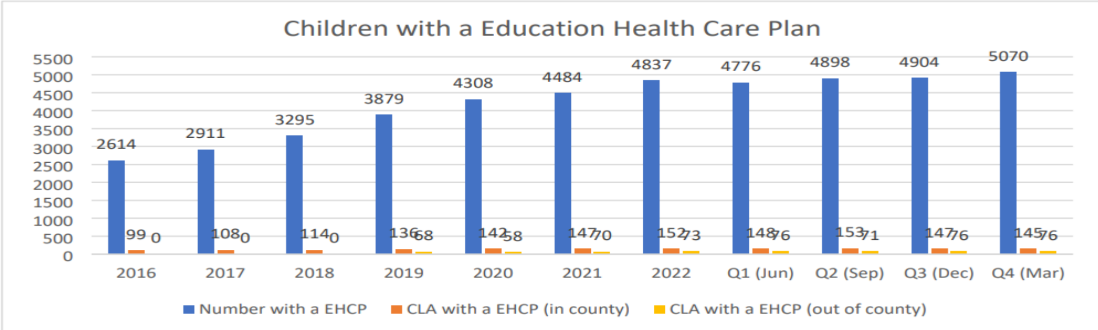
The 2022/23 year end performance report demonstrates the challenge of meeting increased demand pressures and the impact on meeting performance targets. The number of children with Education Health Care Plans (EHCP) continues to rise each quarter, reaching 5070 in quarter 4. While overall numbers have increased, the following groups have remained at the same level: Children looked After (CLA) in and out of county, subject to a Child Protection Plan (CPP), Children in Need (CIN) and Early Help (EH).

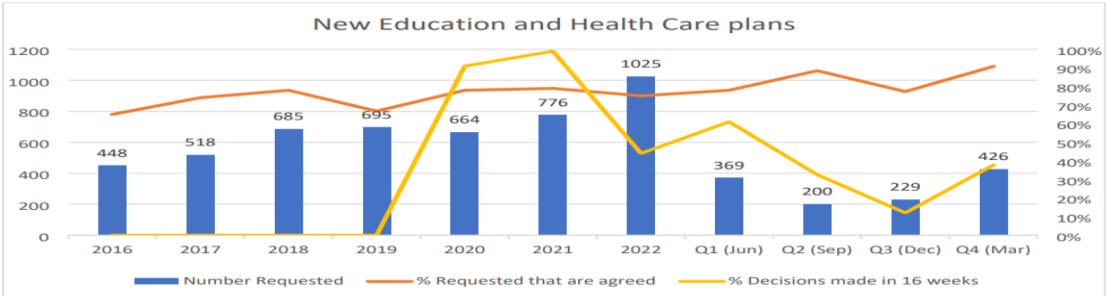
The number of EHCP needs assessments requested continues to increase. The number of EHCP needs assessments that have been agreed over the last 2 years as a percentage od demand is fairly consistent and in line with the national average. The performance over the last quarter, of decisions being made within 16 weeks, and the % of assessments completed within 20 weeks has increased.

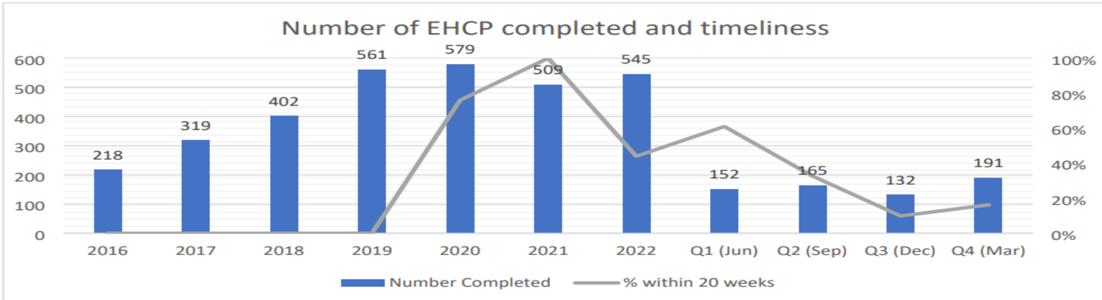
The report outlines a number of actions that have been completed to meet demand. For Educational Psychologists (EP) a number of actions were taken and a recovery plan put in place which has evidenced improvements in terms of timeliness and a number of staff that have made up the increased establishment have now started. However, to meet the demand there is a reliance on using Locum Educational Psychologists.

There has been an increase in establishment of SEND Case Work Officers and new staff continue to join.

There continues to be concerns regarding the health systems ability and capacity to meet the ongoing demands and the impact of increasing waiting lists for children to be seen by health colleagues. However, the Council reports that it has seen an increase in the health advice that is received within timescales. The delays in receiving health advice for EHCNA has been escalated to senior health colleagues who are monitoring this through the Health Children's Transformation Board Programme







Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement - continued

Adult and Well Being

From review of the 2022/23 year end performance report to the Adult and Well Being Overview and Scrutiny Panel we noted that, out of 5 key performance indicators, three were reporting a Green RAG rated status, these relate to:

- Admissions to Permanent Care per 100,000 (65+)
- Outcomes of Short-term Services
- People Aged 65+ at home following Rehabilitation

One indicator relating to Admissions to Permanent Care per 100,000 (18-64) was reporting an Amber rating, being just below its target.

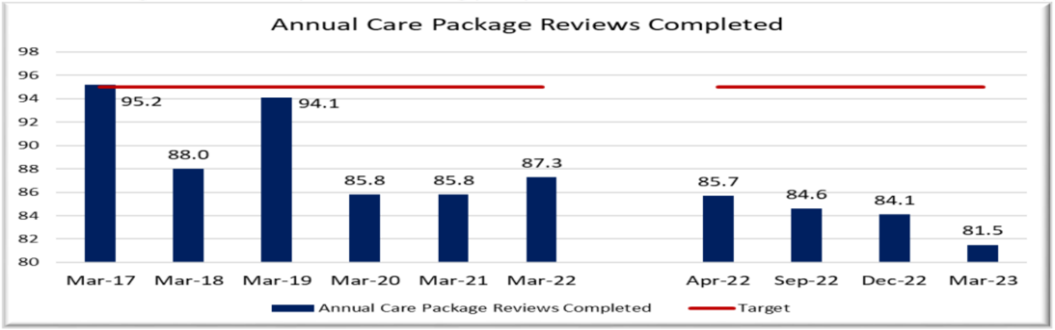
There was one area to note reporting a red RAG rating as follows:

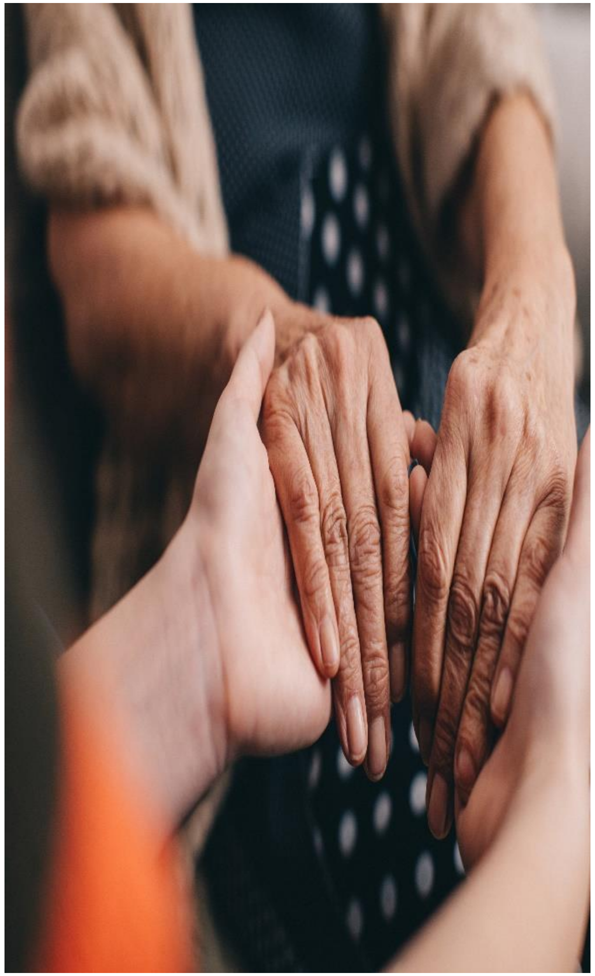
<u>Annual Care Package Reviews Completed</u>

This is a local measure that looks at people who have been in receipt of services for a year or more and checks that they have been reviewed in that period. The target for completion is 95%. The table below demonstrates that the target has not been met for a number of years with a steady decline in performance during 2022.

Council reporting notes that "performance for Quarter 4, 2022-23 has decreased to 81.5% compared to 84.1% in Q3 December 2022. Increased demand (more contacts and more people receiving services) is impacting on reviewing capacity as are staffing issues. Processes are being reviewed to identify efficiencies. Overtime has been agreed to target reviews. The Learning Disability service results continue to improve using the support of an external provider. Area teams are assessing a similar approach to support their teams. Workforce issues and vacancy rates, including access to agency staff, has impacted on review performance."

Graph: Annual Care Package Reviews Completed. Showing yearly results from March 17 to March 22. Then Quarterly for 2022-23.





Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement - continued

Corporate and Communities

From review of the 2022/23 year end performance report to the Corporate and Communities Overview and Scrutiny Panel, we noted that, out of 17 performance indicators, two were reporting a red RAG rated status, with a key area of note being:

Registration of deaths within 5 days

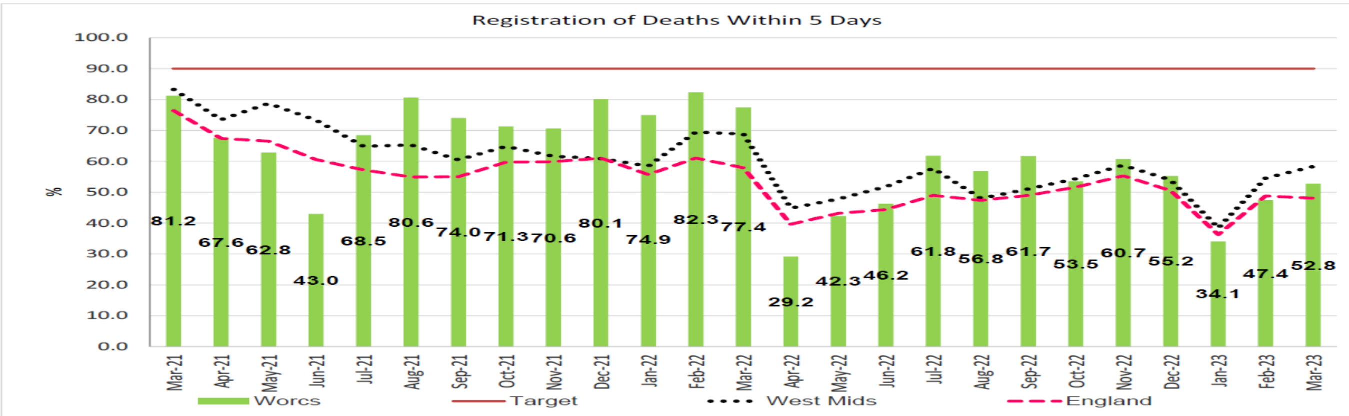
GP approval is required to enable deaths to be registered. It is recorded that GP's work with the office of the local Medical Examiner continues to lengthen the process of signing off paperwork with instances of paperwork being received from GPs on or after the fourth day following a death.

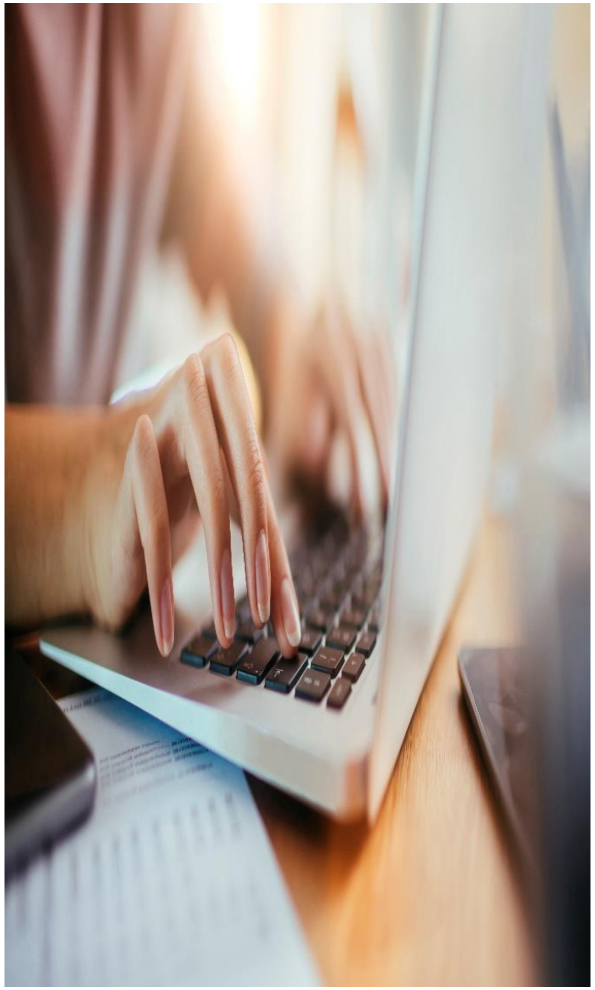
In March 2023, 52.8% of the 381 deaths registered in Worcestershire were within 5 days, this is against a target set by the General Register Office of 90%.

The table below shows the changes and general decline in performance over 2023 when compared with the previous year. However this also shows that the trend overall is comparable with the West Midlands and England average, providing confirmation that the Council is not an outlier in these statistics.

The Council's performance reporting documents that the Council continues to engage with GPs in Worcestershire about this but, it is anticipated that future local, regional, and national percentages will remain at levels lower than those seen in previous years.

Graph: Percentage of Deaths Registered in 5 Working Days





Improving economy, efficiency and effectiveness (continued)

Partnership working – continued

Worcestershire Children First (WCF)

2023-24 is the fourth year of WCF delivering children's services across the county of Worcestershire. These services include Early Help and Support to Children in Need, Children's Social Care and Safeguarding, Through Care Services for Looked After Children and Care Leavers, 0 – 25 All-Age Disability service, SEND services, Education Improvement and Learning and Achievement services.

The Company is 100% owned by Worcestershire County Council and delivers its children's services on behalf of the local authority, working with partners across the county to ensure children, young people and families receive the best possible services.

The WCF business plan sets out how WCF plan to sustain the quality in service delivery to children, young people and their families and key business development priorities for 2023/24. We note from review of the Plan that it demonstrates the importance of partnership working which is recognised as a key pillar of success, as demonstrated in the diagram opposite. The Plan clearly sets out the priorities for the year ahead and documents how it aligns with and supports the Council in achieving its priorities set out in its Corporate Plan – Shaping Worcestershire Future.

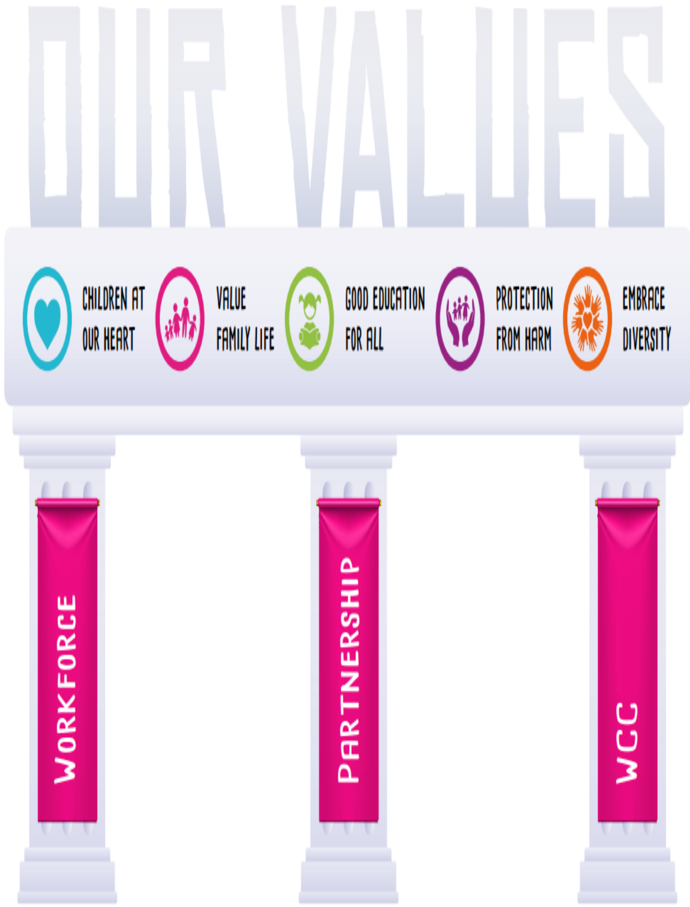
The Office for Standards in Education, Children's Services and Skills (Ofsted) plays a crucial role in ensuring high standards in education, training, and childcare services across England. In 2016 Ofsted judged the local authority as 'inadequate'. In June 2019, a further Ofsted inspection of the services for children and families took place and was judged as 'requires improvement to be good'.

A further Ofsted Inspection of WCF took place between 15 – 26 May 2023 and a judgement of 'good' was awarded. All areas of the inspection were judged to be 'good', with the exception of the 'experiences and progress of children in care' which was highlighted as 'requires improvement to be good'. The inspection identified four areas that needed to be addressed for WCF to improve:

- Effective analysis of risk by the local authority designated officer team (LADO).
- A consistent service for all children in care, including the timely progression of their plans for permanence.
- Consistency in the leaving care service received by care leavers who are subject to special guardianship orders (SGOs).
- Children and care leavers' participation in influencing service delivery and strategic developments.

The outcome of the inspection was presented to the Council's Children and Families Overview and Scrutiny Panel in September 2023. Minutes of the meeting record that this was the first time for 15 years that services in Worcestershire had been rated as 'good' but recognised the importance that this was sustained. It notes that WCF had received good support from the County Council but the "experiences and progress of children in care" outcome was linked to the rise in workloads and the increased number of children coming into care.

Three Pillars of Success



Improving economy, efficiency and effectiveness (continued)

Partnership working – continued

Special educational needs and disability (SEND)

In March 2018, Ofsted and the Care Quality Commission (CQC), conducted a joint inspection of how effectively the special educational needs and disability (SEND) provision is delivered in Worcestershire by the Council together with NHS Worcestershire Clinical Commissioning Groups. Improvements were recognised by inspectors, but it was found that children and young people who have SEND are not provided with the quality of support and service they are entitled to.

A re-inspection was carried out in December 2021 and acknowledged that the local area has made sufficient progress in eight out of the twelve significant weaknesses identified at the initial inspection. The report concluded that the area has not made sufficient progress to improve against four area's of weakness:

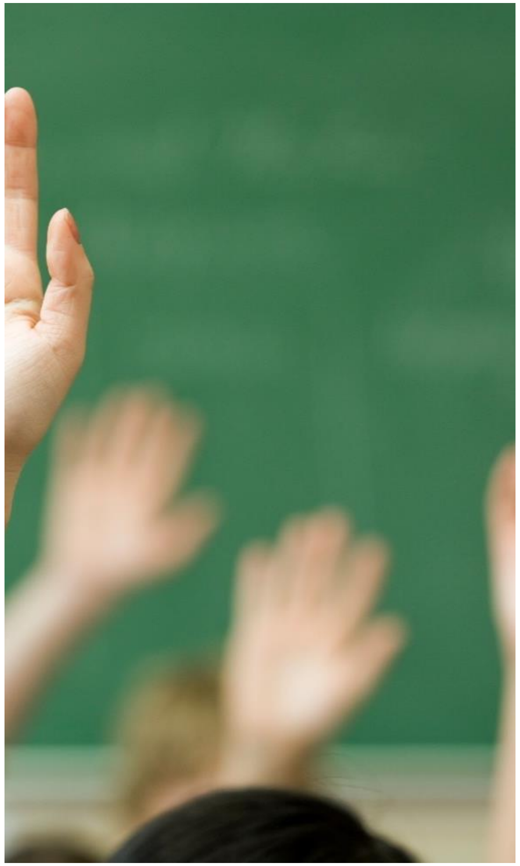
- Variation in the skills and commitment of some mainstream schools to provide effective support for children with SEND.
- There was a lack of suitable specialist provision to meet the identified needs of children and young people.
- There were fragile relationships with parents and carers and a lack of meaningful engagement and coproduction and collaboration.
- EHC plans were of poor quality and included limited contributions from health and social care, and the processes to check and review the quality of EHC plans were also ineffective

In response and to address the outstanding issues, the Worcestershire Local Area SEND Accelerated Progress Plan (APP) has been produced and approved by the Department for Education and NHSE. This will be delivered in partnership between Worcestershire Children First and Herefordshire and Worcestershire Integrated Care Board (ICB).

The APP is subject to review by DfE/NHSE with oversight and reporting through the Council's Childrens and Families Overview and Scrutiny Panel.

We noted that the most recent DfE/NHSE review of the APP took place in September 2023. The outcome letter provides evidence that progress with the implementation of actions is positive, documenting that "The evidence provided, alongside the feedback from partners, demonstrated the range of actions in place to continue and accelerate improvement." and specifically in relation to workstream 1 that "Both in your documentation and during this progress review, it is the view of the DfE and NHSE that you have now been able to demonstrate clear and sustained progress" and as a result this workstream has been removed from the formal APP and from formal external monitoring.

Worcestershire are due for their full SEND inspection, and it is expected to take place at any point between now and Spring 2024.



Improving economy, efficiency and effectiveness (continued)

Partnership working - continued

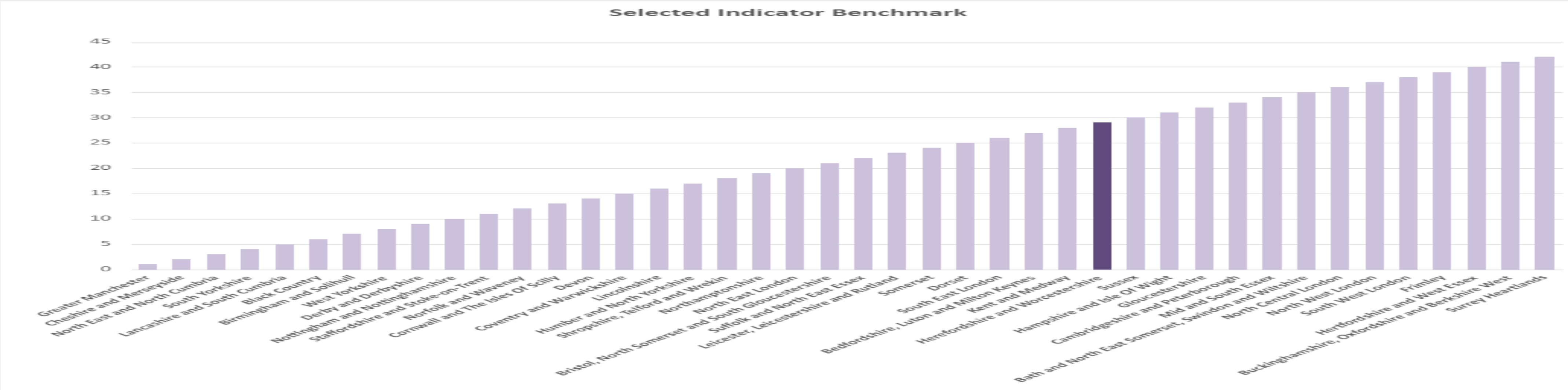
Integrated Care Partnership (ICP)

In April 2021 NHS England formally accredited Herefordshire and Worcestershire as an Integrated Care System. The ICS is made up of two key bodies – an Integrated Care Board and an Integrated Care Partnership Assembly.

The Partnership Assembly is a statutory joint committee, bringing together the NHS and local authorities as equal partners to focus more widely on health, public health and social care. Worcestershire County Council membership includes the Lead member for Health and Wellbeing, Director of Public Health, Chief Executive WCF/Director of Children's Services and Strategic Director for People.

The ICP is responsible for producing an integrated care strategy on how to meet the health and wellbeing needs of the population in the ICS area. Good Health and Wellbeing for Everyone – the Integrated Care Strategy 2023 – 2033 was approved by Herefordshire and Worcestershire Integrated Care Partnership in April 2023. The Strategy includes an outcomes framework which provides an overarching set of measurable indicators to be used by the ICP to oversee the impact of the Integrated Care Strategy and will be published on the Partnership Assembly website.

From our benchmarking of ICB data, the system area ranks 14th out of 42 ICB's in terms of its health deprivation rank. This means it is presenting in the 2nd performing quartile but highlights the importance of partnership working in the wider health economy to tackle health in-equality:



Improving economy, efficiency and effectiveness (continued)

Procurement

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector.

Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall from commercial partners.

Within this, local authorities run local services and deliver high value capital projects every year, balancing the complicated requirements of the Procurement Act and the Social Value Act together, often under close review from electors and other stakeholders. Whole of Government Accounts show that local government spending on goods and services outweighs spending by any one other individual UK government sector.

Given the current focus on net zero, local growth, and efficiency, the opportunity for local authority procurement to make a difference to the wider government agenda has perhaps never been higher. The importance of maintaining good practice has also perhaps never been higher. Local authority members and officers, for the most part, already work well with the commercial partners they appoint. However, with so much public money at stake, there is always scope for continuous improvement and for learning from examples of procurements that did not work entirely as intended.

Commissioning and procurement

The Council has in place appropriate arrangements for procuring goods and services and monitoring its key contracts.

Procurement

We noted a number of developments and improvements that have been made since our last review was completed for 2021/22.

The Council has in place a Corporate Procurement Strategy 2022 – 2025 which provides an overview of the Council's vision to be a "procurement partner of choice" and defines how it intends to meet the priorities of the Council, as well as how the national procurement strategy for Local Government aims and objectives are reflected in its approach. The strategy gives an overview of its three key themes which have been identified to provide the basis of the Procurement Outcomes Framework.

High level responsibilities for procurement are documented within the Constitution which states "The procurement of works, goods, materials and services shall be made in accordance with the Procurement Strategy, the Council's Contract Standing Orders and the Procurement Code". However we noted in our 2021/22 that the Constitution requires updating.

Our review of the Council's Financial Regulations and Contract Standing Orders (CSOs) in 2021/22 found that it was not clear what procurement thresholds were in place or what level of approval have been set. The CSOs were also vague in parts and did not provide robust guidance. We were informed by the Assistant Director for Transformation and Commercial that these have now been reviewed and updated and are in draft format awaiting approval.

The Council have since approved and implemented an updated Procurement Threshold document which clearly demonstrates the process and approvals requirements in each of its category of spend. The document also provides some high-level guidance which aims to strengthen the processes in place and provide efficiencies. These include (but not limited to):

- All contracts with an anticipated value in excess of £50,000 shall be procured via the Council's e-tendering system or an approved Framework/DPS.
- Current Public Contracts Regulations (PCR) threshold for Services and Supplies is £170,782.
- Approval of any variation and extension to an existing contract shall be subject to same approval process and PCR requirements (as appropriate).

The Council maintains a register of "Exceptions". This outlines where contracts have been awarded outside of the tendering rules ie using a waiver, or where contracts have been extended beyond their agreed limit. The register includes those exceptions that have been approved and those that were rejected. Our review of the register noted that in general there were a low level exceptions recorded.

The service have also developed Key Performance Indicators to provide an overview of service performance; with reporting to and oversight provided by the Commercial Board.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement - continued

Contract Management

The Council has developed Supplier Categorisation and Management Guidance based on Platinum, Gold, Silver or Bronze methodology:

The following are considered when determining the categorisation of a contract

- Contract Value.
- Legal and Statutory Impact.
- Sector.
- Reputational Sensitivity
- Alternative provision

Once a contract has been categorised this dictates the level of oversight and contract management expectations that should be in place. For example:

- Platinum – Regular commercial and operational performance meetings, with monitored SLAs/KPIs. Attendance at quarterly Formal Contract Reviews by Strategic Directors and Assistant Directors. Commercial Manager optional.
- Gold – Regular commercial and operational performance meetings with monitored SLAs/KPIs. Attendance at 6 monthly Formal Contract Reviews by the Assistant Directors, with Strategic Directors optional.

The guidance provides a list of its key suppliers that have already been formally categorised as Platinum or Gold.

Supplier reviews and KPI monitoring is provided on the commercial dashboard with oversight and reporting to the Commercial Board.

Quarterly meetings are also carried out with Commercial Managers on the contracts and spend within their portfolio.

West Mercia Energy

The County Council is represented by its elected members on the West Mercia Energy Joint Committee (WME).

WME offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the Council is one of four constituent authorities, alongside Shropshire Council, Herefordshire Council and Telford and Wrekin Council.

The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. This joint venture is not consolidated into the Group Accounts because it is not considered to be material. The County Council spent £3.4 million with WME in 2022/23 (2021/22 £4.1 million) and this is reflected in the Comprehensive Income and Expenditure Statement.

The West Mercia Annual Governance Statement 2022/23 reports there were no significant governance issues highlighted.

West Mercia's Chief Audit Executive delivered a substantial year end Head of Internal Audit Opinion on West Mercia Energy's internal control environment for 2022/23.

Contract Management

Most Local Authorities have well established central functions supporting their initial procurements, but contracts can span decades and it can be after the procurement is complete that best value is sometimes delivered.

Ongoing contract management is often devolved to service lines. This works well with the right support, but risks increase if roles and responsibilities of service line contract managers are not clear; technical knowledge is not kept up to date for the whole life of a contract; and performance indicators within the contract are either unclear or not rigorously monitored.

Sometimes it can be very simple steps that help protect value. Most Local Authorities set up contract registers, but vigilance is needed in keeping these up to date. Planning future procurements effectively relies on knowing current contracts well. This means having the resources in place to register, monitor and record current progress over the whole life of contracts, not just at the beginning.

Pension Fund Arrangements

The Pension Fund

Overall responsibility for managing the Pension Fund lies with the Council. The responsibility for the management and administration of the fund is then delegated to the Chief Financial Officer. The Chief Financial Officer is advised by the Pensions Committee and also takes appropriate advice from the Fund's actuary and the Fund's appointed investment advisor. The Pensions Committee received recommendations from the Pension Investment Sub-Committee to enable it to discharge its responsibilities effectively. These governance arrangements are set out annually in the governance policy statement, which is published as part of the pension fund annual report. This demonstrates that the fund is compliant with the guidance. The picture opposite outlines, some of the key governance features of the pension fund.

From the work undertaken, we have not identified any significant weaknesses in the governance arrangements for the Pension Fund.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should continue to develop and implement mitigating actions to address the budget gaps identified in years 2022/23 to 2024/25. Actions to close the medium-term financial gap need to be transparent to decision makers, scrutinised at the top level of the organisation and relevant officers held to account where there is a lack of progress. The Council may benefit from developing a formal action plan to address the medium-term financial gap and including this within the annual budget reporting.	Improvement	December 2022	Management agree with the findings and will review the current process to engage with SLT and Cabinet to set out a longer term planning process within the confines of the current one year settlement.	Not fully	Yes We have raised a key recommendation around risks to financial sustainability. Key recommendation 1.
2	The Council should continue to develop and implement mitigating actions to address the forecast £13.1 million budget overspend for 2022/23.	Improvement	December 2022	This action was Agreed – The Council has a number of actions including managing pay and non-pay spend, including vacancy management; as well as planned use of reserves. Where these issues are of an ongoing nature, for example overspend in adults and children's social care, these have been addressed as part of the draft budget for 2023/24	Not fully	Yes We have raised a key recommendation around risks to financial sustainability. Key recommendation 1.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	The Council should have a robust financial framework in place to ensure that financial sustainability is achieved in future years. This should include having a savings programme which is deliverable and supported by robust processes for ensuring schemes are identified and agreed on a timely basis. Robust oversight processes should include timely and transparent reporting to Cabinet and escalation procedures to address non-delivery. To maximise the success and achievability of delivering planned savings, the Council may benefit from additional scrutiny and input in identifying savings in the initial stages of budget setting.	Improvement	December 2022	This action was Agreed – Management welcome the comments and will work with Cabinet around the development of proposals and the engagement of scrutiny. At this stage the uncertainties surrounding Government settlement hamper a true effective longer plan and process, however the CFO will undertake to continually improve the process dependent on lessons learnt from the 2023/24 process.	Not fully	Yes We have raised a key recommendation around risks to financial sustainability. Key recommendation 1.
4	The Council should ensure there is a robust financial governance framework around its capital programme, including: • Ensuring the capital programme includes agreed grant funding. • The Council should assess the ability to deliver and the impact of carrying forward slippage in the Capital Programme into future years.	Improvement	December 2022	This action was Agreed – The AGS drew out the need to continually improve this process and as such management have introduced a Capital Board which is reviewing and scoping revised procedures which will address the points flagged by external auditors.	Partly	Yes We have reported slippage in delivering the 2022/23 capital programme. The improvement recommendation therefore still stands.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	The Council should enhance and further embed the risk management framework: The Risk Management Strategy is approved and endorsed. • The Strategy sets out clearly defined roles and responsibilities for all key stakeholders. • The supporting Risk Management Toolkit is promptly developed to ensure there is a council wide robust and consistent approach to managing risk. The Toolkit should include as a minimum, the approach and process for: – Risk identification and assessment, including scoring methodology and impact assessment criteria. – Managing Risks, including determination of controls and assurances. – Risk Monitoring and Oversight, including reporting, escalating and de-escalating risks. • Risk reporting arrangements including the reporting template and the information required for oversight should be agreed and clearly defined as part of the Risk Management Toolkit. This should include frequency and responsibilities for reporting. • The Council should review its current framework and arrangements for managing risk to ensure they are effective, working as expected and that those charged with responsibilities for managing risk at a department level are appropriately committed to the role. • The number of risks recorded within the register is appropriate. To ensure this is appropriately managed, risks should be identified and evaluated using a consistent methodology with the ability to define those risks which are operational and managed at Directorate level and those that are considered strategic risks to the Council. • The functionality of the Pentana System is investigated to identify any opportunities for improving reporting an monitoring processes. This should include improving the quality of data within the risk register information. • Risk reporting clearly highlights those risks rated Very High or High and risks are not averaged across service lines.	Key	December 2022	There have been a number of significant changes made during the year to the arrangements in place. Risk management and monitoring was part of the Internal Audit service until July 2022 when it moved to the Performance Team. Arrangements were decentralised to allow individual Directorates to manage their own risk with oversight from the Corporate Risk Management Group (CRMG). We did not see evidence that the Risk Management Strategy or guidance had been updated and embedded. We did not evidence risk management reporting to CGC at its meetings held in November 2022, March 2023 or May 2023.	Not fully	Yes We have raised a key recommendation to ensure that the Council is focused on delivering improvements. See key recommendation No. 3

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	The Council should review and update the Constitution. This should include: • Ensuring the Constitution accurately reflects the roles and delegated responsibilities of the Council, particularly where changes to job titles and Council functions have been made. • Documenting the timescales for preparing and approving the budget aligned to the nationally agreed framework.	Improvement	December 2022 & 2023	This is part of the AGS action plans and will be a key task for the new Monitoring Officer. A draft action plan for review of the Constitution was presented to the Audit and Governance Committee in September 2023 and indicates the proposal for completion by May 2024.	No	Yes The review of the Constitution is not yet complete therefore the improvement recommendation remains in place.
7	Performance reporting against Corporate Plan priorities to be launched as soon as possible. This should be supported by public facing reporting to provide assurance and transparency of how well the Council is operating.	Improvement	December 2022	This action was Agreed - the Strategic Director for CoaCh will lead this implementation	Yes	No
8	Performance reporting should provide detailed narrative of action being taken where spikes or dips are evident.	Improvement	December 2022	This action was Agreed - the Strategic Director for CoaCh will lead this implementation	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9	The Councils Financial Regulations and Contract Standing Orders (CSOs) should clearly articulate the roles and responsibilities for procuring, awarding and approving contracts. This should include threshold boundaries and a transparent process for wavering these rules. The Council should also have in place in place appropriate oversight and reporting processes to provide assurance of its achievement of agreed procurement outcomes or to demonstrate an efficient and effective service and compliance with procurement rules.	Improvement	December 2022	It was agreed following 2021/22 reporting that the CFO will lead this implementation in tandem with the review of the Constitution with the Monitoring Officer in line with the planned AGS work. A review has been completed in respect of the Councils Financial Regulations and Contract Standing Orders (CSOs) which are now in draft. Procurement thresholds have been reviewed and updated and a Procurement Threshold document produced. Procurement KPIs have now been developed and oversight and reporting processes agreed through the Commercial Board. A draft action plan for review of the Constitution was presented to the Audit and Governance Committee in September 2023 and indicates the proposal for completion by May 2024.	Yes	Yes Final update and publication of the Constitution required; incorporating refreshed Financial Regulations and Contract Standing Orders.

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Opinion on the financial statements

Audit opinion on the financial statements

We have completed our audit of the Council's 2022/23 financial statements including pension fund financial statements.

Other opinion findings

We issued an unqualified opinion on the financial statements on 15 December 2023.

We did not identify any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

More detailed findings can be found in our two Audit Findings Reports, which was published and reported to the Council's Audit & Governance Committee on 1 December 2023. These reports set out the adjustments made to the accounts as a result of the audit.

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. We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and on the whole the supporting working papers continue to be of a good standard. There was scope to improve working papers in relation to property valuations and some breakdowns of accounts balances. Joint working with the external audit team was very good.

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.

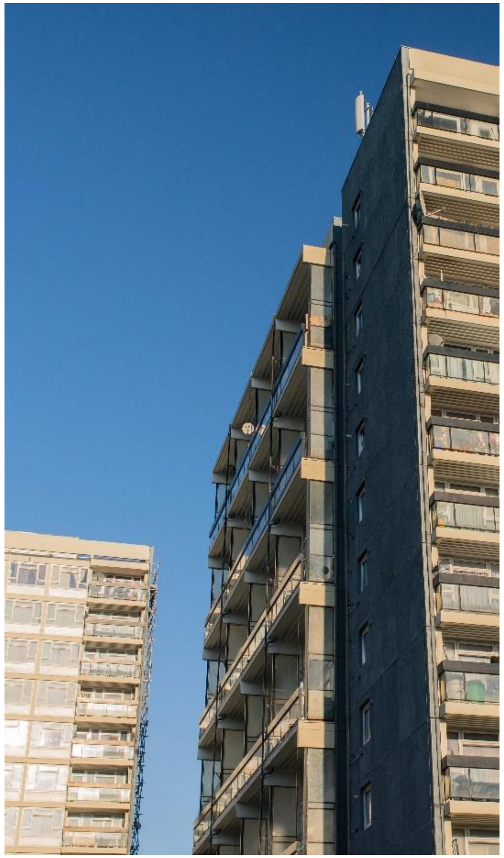
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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:
An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
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 the Council's 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 8 to 12
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 25 and 31 to 32

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