

# St Helens Borough Council

Auditor's Annual Report for the  
year ended 31 March 2024

4 November 2024



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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.



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

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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for St Helens Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

### Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

### Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 9 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

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. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the NAO's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 10.



## Financial sustainability

The Council has a good understanding of its financial pressures and has established clear links between its overall strategy and its financial plans. Like many other Councils, the pressure it faces from demand-based services, particularly Children's Social Care are extreme, and the Council is aware that its financial resilience is at risk. Based on our areas of focus and evidence considered, we have not identified significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability in 2023/24. However, it is vital that the Council demonstrates it is able to deliver a balanced budget year-on-year. An overspend in 2024/25 would be the third consecutive year of overspend and would create a further draw on the Council's reserves, which have already reduced over recent years. A continuation of recent years' revenue overspends would therefore likely to lead a different assessment of the Council's risk in this area. To minimise further unplanned draws on its reserves, rigorous budget planning and monitoring of planned savings programmes are key and, to support this, we have identified areas where the Council could improve arrangements and make three linked improvement recommendations.



## Governance

The Council has made improvements in risk management, internal audit, financial reporting, and compliance. It has updated its Risk and Opportunity Management Policy, developed bespoke risk management software, and addressed capacity issues in the internal audit function. In conclusion and based on our areas of focus and evidence considered, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. However, we have identified areas where the Council could improve arrangements and, have raised an improvement recommendation. One further recommendation remains open from 2022/23.

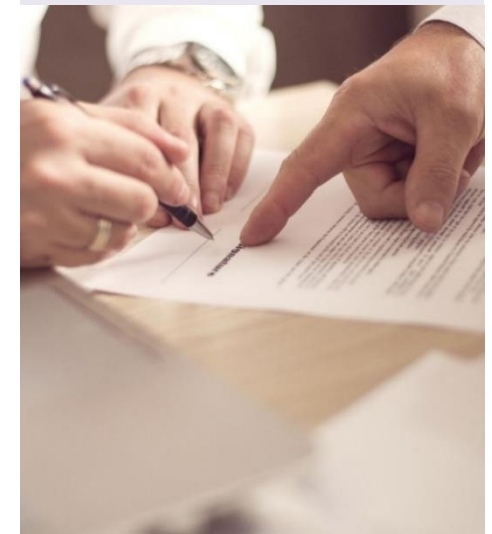


## Improving economy, efficiency and effectiveness

The Council's performance framework is aligned with the "Our Borough Strategy 2021-2030" performance reports are of high quality, providing detailed performance analysis and outlining remedial actions for underperformance. The Council actively monitors and manages performance in various service areas. However, there is room for improvement in data quality assurance in key performance reports, ensuring compliance with the Council's partnership governance framework and also in formalising contract management building on the transfer of front-end procurement to STAR procurement. In conclusion, and based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages improving economy, efficiency and effectiveness. However, we have identified areas where the Council could improve arrangements and as such, have raised three improvement recommendations.



We have completed our audit of your financial statements and will issue an unqualified audit opinion, following the Audit and Governance Committee meeting on 4 November 2024.



# Executive summary (continued)



## Overall summary of our Value for Money assessment of the Council's arrangements

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weaknesses identified. Improvement recommendations made to support ongoing challenges in managing demand and cost pressures and delivering the annual savings programme.	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but three improvement recommendation made to support the Council in further improving arrangements for developing medium term forecasts and delivering revenue savings programmes to deliver a balanced budget without further unplanned draw on the Council's reserves.	↔
Governance	A No significant weaknesses identified. Improvement recommendations made to support delivery of overall assurance to the Audit and Governance Committee including by internal audit.	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one improvement recommendation made to support improvements to key assurances over the management of strategic risks.	↔
Improving economy, efficiency and effectiveness	A No significant weaknesses identified - the weaknesses identified in prior years related to external reviews of the Council's estates management and children's services had been adequately addressed. Improvement recommendations made to support assurance over procurement activity and ongoing improvements in estates management.	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but three improvement recommendation have been made to support further development of performance reporting and to ensure the Council's standards of partnership governance are adhered to across the organisation.	↔

- 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.

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



# Opinion on the financial statements



## Audit opinion on the financial statements

We will issue an unqualified opinion on the Council's financial statements following the Audit and Governance Committee on the 4 November 2024.

The full opinion is included in the Council's Financial Statements for 2023/24, which can be obtained from the Council's website.

## Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- 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.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A version of our report was presented to the Council's Audit and Governance Committee on 23 September 2024 and a final version was presented on the 4 November 2024 alongside this report. Requests for this Audit Findings Report should be directed to the Council.



# Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p><b>Statutory recommendations</b></p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p><b>Public Interest Report</b></p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p><b>Application to the Court</b></p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p><b>Advisory notice</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>• 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</li> <li>• is about to enter an item of account, the entry of which is unlawful.</li> </ul>	<p>We did not issue any advisory notices.</p>
<p><b>Judicial review</b></p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

# **Value for Money Commentary on arrangements**



# The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the then Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.

## Local context



St Helens Borough Council (the Council) is a unitary council with a population of around 185,000 residents. Situated in Merseyside, St Helens Borough part of the Liverpool City Region and links the major conurbations of Liverpool and Manchester. Along with five other local authorities, the Council part of the Liverpool City Region Combined Authority. The borough is home to 185,000 people and covers an area of 136 square kilometres.

The Council has set out its strategy for St Helens Borough in its "Our Borough Strategy" which lists 6 key priorities to "ensure children and young people have a positive start in life; promote good health independence and care across our communities; create safe and strong communities and neighbourhoods for all; support a strong, thriving, inclusive and well-connected local economy; create green and vibrant places that reflect our heritage and culture; and to be a responsible council".

The Council employs a Leader and Cabinet model as its political management structure. The Cabinet is made up of the Leader and up to nine councillors, whom the Leader appoints as portfolio holders. Each Cabinet Member has responsibility for an individual portfolio area, each of which relates to particular services and functions of the Council. A range of regulatory committees discharge specific Council functions and an Overview and Scrutiny Commission and specific Overview and Scrutiny Committees hold the Cabinet to account. The Council has a total workforce of approximately 2,900 staff (excluding those employed by schools).

St Helens has a total of 18 electoral wards and 48 ward councillors. Following the local elections in May 2022, the Council is Labour Party-controlled, with 29 Labour Party councillors. Whole Council elections for all councillors are held every 4 years with the next Whole Council election scheduled for May 2026.

# Financial sustainability



## We considered how the audited body:

## Commentary on arrangements

## Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	The Council's revenue outturn for 2023/24 was an overspend of £3.1m, with a portfolio overspend of £10.7m compared to the approved budget. The key driver of this, as in 2022/23, was the cost of children's and young people's services, which had an overspend of some £8m. The Council, unlike many others, does not have a deficit on Dedicated Schools Grant expenditure. While overall the Council has adequate arrangements to identify financial pressures and reflect these in its budget, there is scope to review its forecasts of demand in key cost pressure areas, particularly children's social care, to ensure these are reflected accurately. Improvement recommendations 1 and 2 on pages 14 and 15 address this.	A
plans to bridge its funding gaps and identifies achievable savings	The Council has improved its savings delivery percentage since 2022/23, but delivery of planned savings (before any additional mitigations identified) has fallen short by £3.6m to £3.8m each year in recent years. Under-delivery of planned recurrent savings contributes to the future years' funding gaps. The Council's forecasts for savings delivery could still be more accurate, and improvement recommendation 3 on page 16 addresses this area.	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	St Helens Council has a well-structured framework linking its strategy, budgeting, and financial management, supporting the delivery of statutory responsibilities, notwithstanding ongoing pressures on its finances. The corporate plan "Our Borough Strategy 2021-30" outlines clearly the Council's strategic priorities, and the 2024/25 budget and the MTFS align with these priorities. showing a clear link from priorities to detailed budgeting. We do not raise any recommendations in this area.	G
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	The Council's financial plans align with its key operational plans and reflect the impact of joint working, including pooled budgets. The annual budget and savings programme adequately reflect the Council's asset management strategy, including plans to dispose of surplus sites. The Council also has clear treasury management policies, which are presented alongside the budget. Overall, our review did not indicate significant weaknesses or other areas requiring recommendations in this area.	G
identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council's identifies risks to its financial plans as part of its annual budgeting cycle. Financial Monitoring Reports provided to Cabinet quarterly include information and commentary on significant budget variations, highlighting overspends and their causes. The Council undertakes sensitivity analysis for some key assumptions in the MTFS and has, for the 2024/25 budget included modelling of the financial impact of under-delivery of savings, as we recommended in the prior year. The MTFS risk assessment remains largely narrative in nature and there is scope to improve the sensitivity analysis by reviewing whether the ranges modelled reflect recent experience. Improvement Recommendation 3 on page 15 also covers this area.	A

- 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.

# Financial sustainability (continued)



## Areas for improvement

### Identification and management of financial pressures – Children’s Social Care

The Council's revenue outturn for 2023-2024 resulted in an overspend of £3.1m. However, underlying this was a more significant portfolio overspend – effectively the Council’s spend on key services – of £10.7m. The overspend was largely mitigated by one-off savings. As in 2022/23, the main cause of the overspend was significant budget challenges particularly within children’s social care, with increased costs of around £8m associated with caring for children looked after, frontline staffing challenges and costs relating to family support packages. There was also an overspend within Integrated (Adult) Health and Care (ASC). The Council’s financial reporting for 2024/25 to date indicates the Council is again forecasting an overspend against budget, albeit at a lower level than in 2023/24. An overspend in 2024/25 would be the third year in a row when an overspend would have been reported and would likely reduce reserves balances by more than the level forecast in setting the 2024/25 budget (see page 14).

The Council’s Financial Procedure Rules and Budget Strategy stipulate that “an overspend in one year must be funded by an equivalent reduction in the relevant departmental budget in the subsequent year.” However, the Council is currently unable to comply with this given the level of pressures on departmental budgets in 2024-2025 and the significant overspend position in 2023-2024. It is vital to the Council’s overall financial sustainability that it is able to control costs and operate within its planned budgets. The Council acknowledges that the budget position in respect of children’s social care particularly continued to be extremely challenging in 2023/24 (as it has been with many other local authorities with social care responsibilities). The main budget pressures related to placement costs for children looked after and young people leaving care (£4.2m) and costs associated with maintaining appropriate levels of frontline social worker capacity including agency staff (£3.1m).

The Council has put in place a range of measures to deliver more cost-effectively in this area, including developing more in-house and in-borough provision including in foster care. In April 2023, Cabinet approved a £2.4m capital investment to deliver up to five additional children’s residential homes in-borough over the following 18 months. This will involve the acquisition of suitable property, and any necessary refurbishment or adaptation. The Council proposes to enter into a partnership with a contractor to run the services, which will need to meet the necessary regulatory requirements. The prospect of insourcing provision of the service was considered but rejected, based on the Council’s assessment of the level of knowledge and capacity within the Council to do this effectively.

Our discussions with the Council indicate that that the Council has made progress with its plans, though it is now not expecting the residential homes to be operational within the 2024/25 financial year. Offers for the purchase of four properties that will be converted to children’s homes have been accepted, with one of the purchases being completed by the end of September 2024. The Council intends to let the contract(s) for operators in November 2024. Once the contract(s) are awarded Council will need to complete the OFSTED registration process which it expects to take a minimum of 4 months, with the target for the homes to be operational now being April 2025.

**Improvement recommendation 1:** The Council should carefully monitor progress with its plans for developing children’s residential homes and ensure any slippage is factored into its assessment of the scale and timing of overall revenue savings. The benefits of these and other initiative should be rigorously monitored against expectations to ensure future cost forecasts are as accurate as possible.

	2024/25 (Q1 forecast)	2023/24	2022/23
Portfolio Overspend	£2.6m	£10.7m	£10.3m
Of which related to Children and Young People Directorate	£0.6m	£8m	£7.5m
Final net overspend	£2.2m	£3.1m	£4.5m

# Financial sustainability (continued)



## Areas for improvement

### Managing financial risk – the Council's reserve position

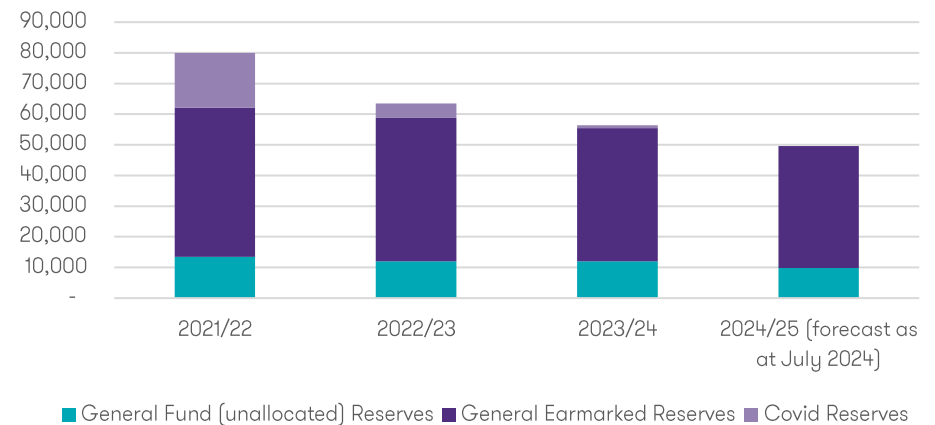
The Council's net overspends in recent years (including 2023/24 as set out on page 13) have created a net draw on its revenue reserves. The overall amount of reserves the Council currently holds are, by its own analysis, not excessive for an authority of its size and type and it knows that continued use of reserves is not a sustainable strategy.

We note the 2024/2027 MTFS forecasts a stabilisation of reserve levels, though the Council is no longer committing to growing its reserves as it has in previous year's strategies. The Council's overall revenue reserves are certainly not excessive for an authority its size, though it is also worth reflecting that compared to many similar local authorities the Council does not currently have excessive levels of borrowing. Nevertheless, the Council is aware that the combination of unplanned overspends and relatively low reserves is a critical risk. The Council's 2024/25 budget sets out its current level of general reserves continues to be set at £12m, 6.6% of the 2024/25 net revenue budget. The Council has benchmarked this against comparator authorities as defined by CIPFA's Financial Resilience Index, with most comparator authorities' general reserves levels being between 3% and 8% of net revenue expenditure.

In line with our improvement recommendation from our 2022/23 report, the Council has included in its 2024-2027 MTFS an explicit illustration of the effect of savings under-delivery. However, we consider that the 10% range used does not reflect recent actual or 2024/25 forecast performance, with a more reasonable modelling assumption potentially being around 30% based on recent delivery (see table opposite). It would also be useful to model the cumulative impact of under-delivery on the medium-term budget gap. We therefore maintain update our improvement recommendation in this area and the recommendation opposite covers this.

In our 2022/23 Auditor's Annual Report, we recommended the Council quantify the reserve risk assessments presented in its budget and MTFS to indicate the actual financial impact should the low, medium and high impact risks identified become issues. The Council agreed with this recommendation. We note that, given the timing of the annual budget cycle, the preparation of the 2025/26 budget will be the first opportunity for the Council to fully implement this recommendation. For clarity, we therefore repeat this recommendation in this Auditor's Annual Report as part of the recommendation opposite.

St Helens Borough Council revenue reserves - Earmarked and Unallocated General Fund Balances, 2021/22 to 2024/25, £000s



**Improvement recommendation 2:** The Council should review key budget assumptions against recent actual experience to ensure that it identifies, as accurately as possible, the key financial pressures it is likely to face, and use this to provide assurance that its reserves could withstand a plausible worst-case scenario. In particular it should:

- Review annual forecasts of demand for placements of children looked after and children leaving care given the ongoing spend above budget in this area, taking into account its best estimate of the forecast impact of bringing its in-house provision online.
- Review the modelling assumptions within its MTFS around potential under-delivery of savings, currently illustrated at 10%, given recent under-delivery of around 30%. The compounding effect of under-delivery should also be illustrated in the MTFS.

# Financial sustainability (continued)



## Achievement of savings targets

The Council's delivery of planned savings has improved since 2022/23 as a percentage of the annual target required. The Council does however continue to under-deliver on planned savings targets each year (see table opposite) although in each year the Council has been able to identify mitigations to offset some of the under-delivery. Meeting planned savings targets would substantively reduce the Council's overall net overspend, particularly where savings are delivered on a recurrent basis.

Any under-delivery of recurrent savings also adds to the following year's target. This means savings shortfalls contribute to the Council's medium term funding gap over time. The Council's savings plan for 2024/25 of £13m includes £3.6m of undelivered carried forward from the prior year. As at the first quarterly update of 2024/25, the Council reported that around 71% of savings are on track, again indicating a potential shortfall of around £3.7m before mitigations, though the Council expects mitigations of around £1.9m to offset some of this.

## Savings delivery oversight

Our discussions with the Council indicate it has acted to strengthen the arrangements it has in place to oversee savings delivery and to support and challenge senior officers on delivery of their savings plans. During 2023/24 the Council operated a Budget Savings Delivery Group operated which included the Chief Executive, Executive Directors, Section 151 Officer, Departmental Directors and Service Leads and the Head of Corporate Finance, chaired by the Chief Executive and the Executive Director of Corporate Services. Executive Directors accountable for departmental savings were required to attend every third month. From 2024/25 the Budget Savings Delivery Group was replaced with the Budget and Performance Monitoring Board, which meets quarterly with the first meeting being held in July 2024. The Board has a remit to operate as an internal scrutiny function on performance and budget priorities. The group is still represented by the same officers, but all officers attend the meetings every quarter.

	2024/25 Planned and forecast	2023/24 actual	2022/23 actual
Planned savings	£13m	£12.4m	£6m
Actual savings	£9.3m	£8.8m	£3.2m
Shortfall in savings	£3.7m	£3.6m	£3.8m
Mitigations identified	£1.9m	£2.9m	£1.4m
Net shortfall in savings	£1.8m	£0.7m	£2.4m

**Improvement recommendation 3:** The Council should ensure the savings plans developed by directorates are based on realistic estimates of the level of savings and timings of savings delivery, and assess the effectiveness of its revised arrangements for overseeing savings delivery based on performance over 2024/25.

# Governance – decision-making, risk management and standards



We considered how the Audited Body:

Commentary on arrangements

Assessment

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council updated its Risk and Opportunity Management Policy and Strategy in March 2024. The Council has developed a Risk Management Handbook and is working on bespoke risk management software to support risk recording and reporting. These developments respond to earlier Internal Audit Findings. The Council's in-house Internal Audit function itself operates in accordance with the Internal Audit Charter and Public Sector Internal Audit Standards. The Internal Audit peer review from December 2023 reported internal audit's substantive conformity to the standards, with only limited recommendations for improvement. There were, as in 2022/23, some capacity and completion issues with the 2023/24 Internal Audit Plan, but 2023/24 was a notable improvement on 2022/23 (see page 17). The Internal Audit annual report for 2023/24 indicated "reasonable assurance" over the Council's control environment. There does remain some scope to provide more assurance to the Audit and Governance over the management of key risks and our commentary and improvement recommendation on page 18 provide further detail on this, superseding two related improvement recommendations from 2022/23. In our 2022/23 Auditor's Annual report we covered the Council's response to the cyber attack that it experienced in-year and did not identify a significant weakness based on the Council's response, though this was contingent on the Information Commissioner's Office (ICO) not subsequently identifying any action based on the Council's ongoing response. We understand no such action has been required.</p>	A
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>Overall, the Council has appropriate arrangements to ensure transparent, accountable, and strategic decision-making. The Council has a well-defined decision-making structure, guided by a clear Constitution that outlines roles and responsibilities. The Council's arrangements enable it to make the public aware of key decisions, with consideration of legal implications where necessary. The Overview and Scrutiny Commission and Scrutiny Committees play an active role in reviewing and prioritising work programs, including budget setting processes. The Council's leadership team integrates financial and legal governance expertise. The Audit and Governance Committee provides oversight and challenge but has itself noted that the breadth of its remit means there is scope for more 'deep dives' into key risks. Our improvement recommendation on page 18 addresses this.</p>	A
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	<p>The Council's Constitution outlines the responsibilities of the Council, Cabinet, and other Committees, and contains codes and protocols for members and staff. These include the Code of Conduct, policy for Gifts and Hospitality, Whistleblowing Policy, and complaints procedure for breaches of the Code of Conduct. The Council's Director of Legal and Governance reports on Code of Conduct complaints to the Standards Committee. The Council also has a complaints procedure regarding breach of the Code of Conduct for Members. We reported in 2022/23 that the Council did not produce a consolidated procurement waiver report to those charged with governance during 2022/23, and the Council's plan to develop its reporting of breaches of Contract Procedure Rules (CPRs) and waivers has been delayed to winter 2024. Our improvement recommendation on this from 2022/23 therefore remains open at this time (see page 34).</p>	A

- 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.



# Governance (continued)



## Areas for improvement

### Monitoring and assessing risk, including arrangements to prevent fraud; and supporting the Audit and Governance Committee to challenge progress

The Council's Audit and Governance Committee is responsible for overseeing risk management. A 'limited assurance' internal audit report in November 2023 highlighted that, while the Council generally has a sound documented risk management framework in place, there were some weaknesses in the risk management arrangements, including updating the Risk and Opportunity Management Policy, and setting a timetable for the review of the Council's risk registers at SLT and DMT levels. The latter recommendation had been implemented by the time of reporting to the Audit and Governance Committee in December 2023 and the Risk and Opportunity Management Policy and Strategy Framework was approved in March 2024, emphasising the duality of risk and opportunity. Given the Council has implemented improvements in response to the Internal Audit report (and in line with our improvement recommendations from our 2022/23 Auditor's Annual Report) we do not identify significant weaknesses in this area. We also note the Council has developed a Risk Management Handbook and is working on building bespoke risk management software.

The Audit and Governance Committee received a Strategic Risk Register in March 2024, continuing the cycle of biannual reporting. We note, as we did in our 2022/23 Auditor's Annual Report, that this is relatively infrequent. We also note that, in its annual review of its own effectiveness, the Committee itself identified a desire to be able to conduct more in-depth reviews on key risk areas (which would bring the Council into line with notable practice we see elsewhere). In its response to our 2022/23 Improvement Recommendation, the Council has already committed to reviewing the Audit and Governance Committee's work programme regarding number of meetings and notes that time and capacity should be "enough to facilitate additional reporting, training and specialist presentations in line with the Committee's effectiveness review recommendations." We agree with this assessment and therefore consolidate the outstanding elements of this recommendation into our improvement recommendation below to support the direction of travel in this area.

As set out on page 16, the Council's internal audit team was not able to deliver all the intended 2023/24 audit programme, largely because of the focus on clearing a backlog of 2022/23 reports following earlier capacity issues (that have now been addressed). As at July 2024, 53% of 2023/24 audits were complete. While lower than ideal, this is higher than the 31% of the 2022/23 plan completed at the same point in the prior year. Further, overall completion of the 2022/23 plan was 98% by July 2024, indicating a recovery of the backlog of internal audit work from that year. Responsive work continued in relation to fraud and irregularity as and when allegations were received, or where issues were identified. In summary, the investigative and irregularity work carried out encompassed six investigations. As set out in its response to our 2022/23 recommendations, however, there is a need to report more on proactive fraud prevention work undertaken by the team.

**Improvement recommendation 4:** In line with the Audit and Governance Committee's annual effectiveness review, and the Council's positive response to this and our linked recommendation from 2022/23, the Council should ensure the Audit and Governance Committee is given the support it needs to enhance its ability to oversee and challenge the Council's response to key risks. In particular it should:

- Ensure the Committee is provided with assurance that the Council is undertaking sufficient, proactive fraud prevention work; and
- Ensure there is adequate capacity and time allocated in the Committee's schedule to review key strategic risks, including potentially reporting the risk register more frequently, and periodic "deep dives" into key risks.

# Governance - financial governance



## We considered how the Audited Body:

## Commentary on arrangements

## Assessment

approaches and carries out its annual budget setting process

In setting the 2024/25 budget, the Council followed its well-established, structured process for developing its annual revenue and capital budget, which is presented alongside the Medium Term Financial Strategy (MTFS), as well as other key operational policies including the Treasury Management strategy. The budget setting process includes external engagement and challenge from Overview and Scrutiny and the Cabinet budget submission includes details of the savings options considered, and public consultation feedback. Overall, we did not identify any significant issues with the Council's budgeting process. As we noted in our prior year Auditor's Annual Report, report, the risk assessment presented within the budget is mainly narrative and lacks quantified financial data, and the Council's ability to respond to financial variations is limited due to challenges. The Council undertakes sensitivity analysis for key assumptions in the MTFS, and we raise a related improvement recommendation above on page 15 under the financial sustainability reporting criterion which we do not repeat here.

G

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

The Council's arrangements to manage budgets are set out in its Financial Procedure Rules and include delegated financial management responsibilities to Directors and Heads of Service, with regular reporting to the Section 151 Officer. This structure means underperformance against budget is made clear and triggers corrective action, where possible, to maintain a balanced budget by the end of the financial year (though the Council was not able to achieve this during 2022/23 or 2023/24, due to ongoing demand pressures). The Council's budgetary monitoring provides clear reporting on the reasons for key overspends, particularly in areas such as Children's Social Care. The Council has identified specific initiatives to address demand-related cost pressures, such as developing in-house residential capacity and foster-care provision. Based upon the evidence examined we considered that the arrangements in place did not present weakness that warrant recommendations being made.

G

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.

# Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:

## Commentary on arrangements

## Assessment

uses financial and performance information to assess performance to identify areas for improvement	The Council's performance framework is aligned to the priorities and outcomes of the "Our Borough Strategy 2021-2030", and progress on the delivery of these outcomes is reported quarterly through key performance indicators and targets. The reports are of a high quality overall and are provided to the Cabinet and Overview and Scrutiny regularly. Performance reports provide detailed information on strategic and operational indicators, showing areas of improvement and also provide comparisons, where possible, to other authorities. The report also outlines the remedial action being taken to address any areas of underperformance. We comment further on the good practice in this area on page 20, noting also some scope to improve the level of assurance over data quality within key performance reports.	A
evaluates the services it provides to assess performance and identify areas for improvement	The Council is focused on delivering outcomes that improve the lives of its residents and is actively monitoring and managing its performance across various service areas. In addition to the active performance management described above and on page 20, the Council's engagement with and review by regulatory bodies such as the Care Quality Commission (CQC) and Ofsted demonstrates its commitment to setting and maintaining good standards in social care, education, and youth justice services, for example. The alignment of the Council's budget to its strategic priorities and the inclusion of public consultation in the budget process further indicate a transparent and inclusive approach to financial decision-making.	G
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	The Council engages in a range of statutory and non-statutory, non-contractual partnerships across a wide range of services. The Council's Partnership Governance Framework, adopted in 2021, forms part of its overall Code of Corporate governance and outlines the Council's approach to its non-contractual partnership working, with a focus on good governance, the need for monitoring and provision of clear business cases for new partnerships. An internal audit carried in 2023/24 of four partnerships within Children's Services found some instances where partnership governance arrangements were not being adhered to. It is positive that the Council is actively reviewing its partnership working arrangements. There may be scope to build on these arrangements further and we raise a recommendation on page 20.	A
commissions or procures services, assessing whether it is realising the expected benefits	The Council's procurement function has transferred to STAR procurement, and the Council now manages its procurement service through this shared service arrangement. As set out above, in our 2022/23 Auditor's Annual report, presented to the Audit and Governance Committee in March 2024, we recommend the Council provide the Committee with an up-to-date report on contract waivers and breach activity. We understand this is scheduled but will now not take place until winter 2024. We therefore consider this recommendation remains open (see page 34). We also consider there is scope to formalise contract management arrangements and provide further commentary and an improvement recommendation in this area on page 21.	A

- 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.

# Improving economy, efficiency and effectiveness (continued)



## Notable practice and areas for improvement

### Performance reporting

The Council's performance reporting overall is of a high quality. In particular, reports show notable practice in two areas.

#### Notable practice:

- Quarterly performance reports include a well-developed indicator set that provides useful information and insight across both strategic and operational indicators. The indicators reported are split between: Tier 1 – A set of high-level strategic indicators and targets that constitute the Outcomes Framework of the Borough Strategy 2021-2030; and Tier 2 – A further set of performance indicators and targets to address key priority areas of performance within Directorates / Departments.
- Performance scorecards within the reports include comparisons to statistical neighbours and the direction of travel.

There are, however two areas in which the Council could continue to evolve the performance report, which would elevate its reports further, in relation the use of financial as well as performance benchmarks, and assurance over the quality of data and data systems underpinning key performance indicators, as set out in the recommendation below.

#### Improvement recommendation 5: The Council should consider including in its quarterly performance reports:

- financial benchmarks (such as unit cost benchmarks) – to provide information on the relative costs of key services or service processes, compared to similar authorities.
- data quality assurance indicators – information on the assurances available over the data systems that underpin key performance indicators.

### Partnership governance

The Council engages in a range of statutory and non-statutory, non-contractual partnerships across a wide range of services.

The Council's Partnership Governance Framework, adopted in 2021, forms part of its overall Code of Corporate governance and outlines the Council's approach to its non-contractual partnership working, with a focus on good governance, the need for monitoring and provision of clear business cases for new partnerships.

An internal audit carried in 2023/24 of four partnerships within Children's Services found some instances where partnership governance arrangements were not being adhered to, identifying issues of non-compliance particularly in relation to one partnership within Children's Services, which had been entered into before the framework was in place. There were also some other instances where documentation around information sharing and risk management needed to be updated.

It is positive that the Council is actively reviewing its partnership working arrangements through reviews such as the internal audit review. The Council has the foundations of effective arrangements in this area. There may be scope to build on these arrangements further by ensuring that the Council's ongoing assurance activity includes a proportionate programme of assurance over other high priority partnerships' compliance with the partnership governance framework.

**Improvement recommendation 6:** Ensure the Council's ongoing assurance activity includes a proportionate programme of assurance over other high priority partnerships' compliance with the partnership governance framework.

# Improving economy, efficiency and effectiveness (continued)



## Areas for improvement

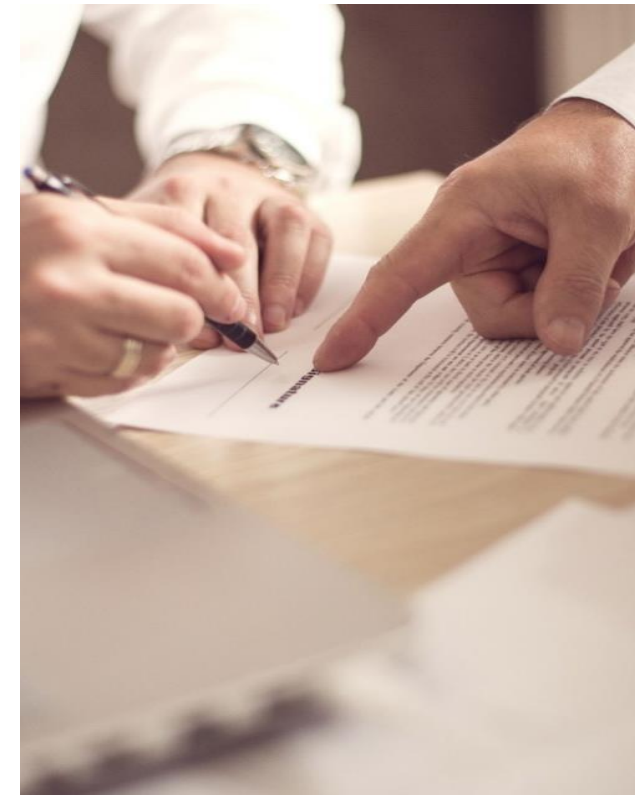
### Contract management

As reported above, the Council's procurement function has now transferred to STAR procurement, providing a level of consolidation of skills in relation to the "front-end" process of procuring goods and services. As the National Audit Office has reported, post-award contract management is also key to getting value for money from contracts over their lifecycle, including by ensuring suppliers are subject to appropriate ongoing performance, operational and commercial scrutiny against the contract terms. It is not clear from our discussions with the Council or STAR procurement that the Council currently has a formal contract management approach in place across the organisation.

Other Councils' arrangements include introducing "contract tiering", which assigns contracts to a Bronze, Silver, Gold scheme (a scheme which is aligned to Cabinet Office guidance) with the tiering based on factors such as the contract value, how critical the contract is considering the potential impact of service failure, supply market conditions, and the complexity of the contract, for example.

We also understand that on transfer of the contracts register to STAR procurement it was found that the register was incomplete, and an exercise is currently being undertaken to ensure all contracts are registered. Complete data on contracts is, of course, important to ensure all contracts have appropriate, risk-based contract management arrangements in place.

**Improvement recommendation 7:** The Council should ensure it has a complete register of all its contracts with external suppliers and develop its contract management framework, drawing on relevant guidance and best practice including that issued by the Cabinet Office.



**Value for Money  
Recommendations raised in  
2023/24**



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Council should carefully monitor progress with its plans for developing children's residential homes and ensure any slippage is factored into its assessment of the scale and timing of overall revenue savings. The benefits of these and other initiative should be rigorously monitored against expectations to ensure future cost forecasts are as accurate as possible.	Improvement	Financial sustainability	Review of the Council's arrangements identified a continued significant overspend in children's social care in 2023/24	Controlling overspends in this area is key to ensuring a balanced financial position in the short and medium term.	<p>Actions: Agreed</p> <p>Continual monitoring through the Budget and Performance Group scheduled throughout 2024/25.</p> <p>Responsible Officer: Tracy Stephen</p> <p>Executive Lead: Mark Palethorpe</p> <p>Due Date: March 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should review key budget assumptions against recent actual experience to ensure that it identifies, as accurately as possible, the key financial pressures it is likely to face, and use this to provide assurance that its reserves could withstand a plausible worst-case scenario. In particular it should:</p> <ul style="list-style-type: none"> <li>Review annual forecasts of demand for placements of children looked after and children leaving care given the ongoing spend above budget in this area, taking into account its best estimate of the forecast impact of bringing its in-house provision online.</li> <li>Review the modelling assumptions within its MTFS around potential under-delivery of savings, currently illustrated at 10%, given recent under-delivery of around 30%. The compounding effect of under-delivery should also be illustrated in the MTFS.</li> </ul>	Improvement	Financial sustainability	The council's general fund reserve position has deteriorated over recent years and it could improve its forecasting of the impact of any adverse delivery on reserve levels	Failure to maintain adequate reserves reduces the Council's financial sustainability and resilience to unforeseen events.	<p>Actions: Agreed.</p> <p>Ensuring stability of the Council's financial position is a key strategic objective. Review and modelling of the assumptions within the MTFS for 2025-2028 will build on the work already undertaken in developing the current MTFS.</p> <p>Responsible Officer: Richard Gibson</p> <p>Executive Lead: Cath Fogarty</p> <p>Due Date: March 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 The Council should ensure the savings plans developed by directorates are based on realistic estimates of the level of savings and timings of savings delivery, and assess the effectiveness of its revised arrangements for overseeing savings delivery based on performance over 2024/25.	Improvement	Financial sustainability	The Council has a track record of under-delivering on planned savings targets in recent years.	Failure to deliver planned recurring savings will impact the Council's ability to maintain financial sustainability.	<p>Actions: Agreed</p> <p>Responsible Officer: Richard Gibson</p> <p>Executive Lead: Cath Fogarty, Mark Palethorpe, Lisa Harris</p> <p>Due Date: March 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>In line with the Audit and Governance Committee's annual effectiveness review, and the Council's positive response to this and our linked recommendation from 2022/23, the Council should ensure the Audit and Governance Committee is given the support it needs to enhance its ability to oversee and challenge the Council's response to key risks. In particular it should:</p> <p>IR4 • Ensure the Committee is provided with assurance that the Council is undertaking sufficient, proactive fraud prevention work; and</p> <p>• Ensure there is adequate capacity and time allocated in the Committee's schedule to review key strategic risks, including potentially reporting the risk register more frequently, and periodic "deep dives" into key risks.</p>	Key	Governance	There remains scope to provide further assurance to the Audit and Governance Committee over the management of strategic risks and proactive counter-fraud work	Further assurance in this area would support the Committee in fulfilling some of its core functions.	<p>Actions: Partially Agreed</p> <p>Audit and Governance Committee will continue to receive training and assurance that the Council is undertaking sufficient and proactive fraud prevention work via the annual Fraud report from the Head of Audit &amp; Risk which is scheduled for the November 2024 meeting.</p> <p>To continue to be proactive regards fraud risk - the Council participates in the National Fraud Initiative / receives intelligence via the National Anti-Fraud Network, and the Mersey Region Fraud Group.</p> <p>The Council is of the view that the current arrangements for reporting key strategic risks every 6 months is adequate. Community risks compiled by the Merseyside Resilience Forum were also included within the Strategic Risk Update report presented to the Audit and Governance Committee in September 2024.</p> <p>Responsible Officer: Jan Bakewell</p> <p>Executive Lead: Cath Fogarty</p> <p>Due Date: March 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should consider including in its quarterly performance reports:</p> <ul style="list-style-type: none"> <li>financial benchmarks (such as unit cost benchmarks) – to provide information on the relative costs of key services or service processes, compared to similar authorities.</li> <li>data quality assurance indicators – information on the assurances available over the data systems that underpin key performance indicators.</li> </ul>	Improvement	Improving economy, efficiency and effectiveness	The Council's performance reporting overall is of a high quality but the Council could continue to evolve the performance report	Use of financial as well as performance benchmarks, and assurance over the quality of data and data systems underpinning key performance indicators <b>would improve further the Council's reporting in this area.</b>	<p>Actions: Partially Agree</p> <p>The Council acknowledges the recommendation and will look to make further use of targeted financial benchmarking, where it is appropriate and can add value and where capacity is available. However, it does not propose to formalise and include in the performance reporting to Cabinet, as the focus of these reports are service specific indicators.</p> <p>We agree to review the performance data quality policy and procedure and seek further information from Internal Audit as to whether there is something that can be undertaken as part of internal audit work programme.</p> <p>Responsible Officer: Vicky Willett</p> <p>Executive Lead: Cath Fogarty</p> <p>Due Date: March 2025</p>
<p>Ensure the Council's ongoing assurance activity includes a proportionate programme of assurance over other high priority partnerships' compliance with the partnership governance framework.</p>	Improvement	Improving economy, efficiency and effectiveness	The Council has a Partnership Governance Framework that is forming the basis for assurance activity and it would worth considering whether there are other partnerships that would benefit from review.	Ensuring adherence to the Framework could enhance the value achieved from partnership activity.	<p>Actions: Agree</p> <p>Responsible Officer: Jan Bakewell / Richard Thomas</p> <p>Executive Lead: Cath Fogarty</p> <p>Due Date: March 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR7 The Council should ensure it has a complete register of all its contracts with external suppliers and develop its contract management framework, drawing on relevant guidance and best practice including that issued by the Cabinet Office.	Improvement	Improving economy, efficiency and effectiveness	The Council's procurement function has moved to STAR procurement but is less clarity about contract management arrangements	Issues include incomplete contract registration and risk-based management arrangements could lead to value being lost through contract with external suppliers.	<p>Actions: Partially Agree</p> <p>The Council has worked with STAR to develop its contract register and will continue to develop its contract management activities with contract managers / Heads of Service.</p> <p>Responsible Officer: Richard Gibson</p> <p>Executive Lead: Cath Fogarty</p> <p>Due Date: March 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# 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.

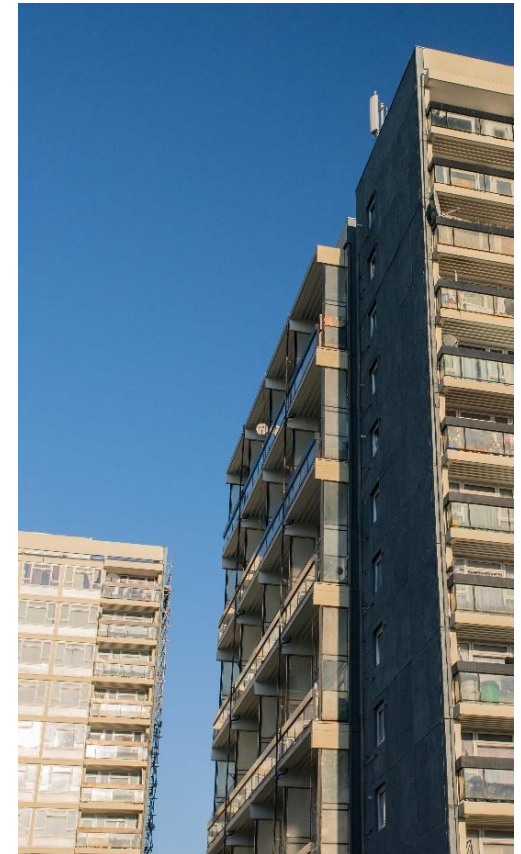
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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



## Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

## Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

## Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Council should integrate more commentary and analysis on its Dedicated Schools Grant (DSG) position within its main quarterly and annual financial monitoring reports to Cabinet.	Improvement	March 2024	We note that the 2023/24 outturn report (the first since the recommendation was made) includes analysis and commentary on the Council's DSG position.	Yes	No
2 The Council should seek to ensure its medium-term planning assumptions and savings proposals are realistic and set its finances on a sustainable footing. Key assumptions should be considered and challenged robustly particularly where there are underlying service pressures (such as cost or demand inflation), such as in Children's Services. This should include both the timing and scale of savings proposals, particularly given ongoing efforts to embed service improvement, to guard against continued slippage and any adverse impact on the quality improvements made in these areas.  The Council's MTFS modelling should also include the potential medium term cost implications of under-delivery against of savings plans.	Improvement	March 2024	The Council undertakes sensitivity analysis for the key assumptions in its financial planning and is aware of the financial impact of changes to their assumptions. In the latest MTFS the Council modelled variations in the pay award, social care provision, general inflation, levies, council tax and business rates at +/- 1% and Energy costs and savings delivery at +/- 10%. It is positive to see consideration of plausible ranges applied to each assumption rather than a single +/- figure. We note that under-delivery of savings is covered in the latest iteration of the MTFS. There is however scope to review these assumptions based on actual experience in recent years. For example, the council for 2023/24 the Council delivered savings around 70% of its target, indicating under-delivery some way outside the range of 10% modelled. The compounding effect of under-delivery could also be better illustrated.	Partly	Yes – see updated improvement recommendation 2 on page 15.
3 The Council should quantify the risk assessments presented in its budget and MTFS to indicate the financial impact should low, medium and high impact risks become issues. It should link this assessment to its assessment of the adequacy of reserves, setting out an explicit risk-based calculation to show how it has determined the prudent level of its general fund balances.	Improvement	March 2024	Review of the 2024/25 budget and MTFS indicates that the recommendation is not yet implemented. However, the 2025/26 budget cycle will be the first implementation opportunity.	Yes	Yes – see updated improvement recommendation 2 on page 15.

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



# Appendix C:

## Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation*	Date raised	Progress to date	Addressed?	Further action?
<p>The Council should consider further development of its strategic risk reporting, by:</p> <ul style="list-style-type: none"> <li>• considering the frequency of risk reporting to the Audit and Governance Committee;</li> </ul> <p>4</p> <ul style="list-style-type: none"> <li>• reviewing the Risk Management Policy and Strategy Framework to remain sure it captures the prevailing environment.</li> <li>• including a direction of travel for each risk to enable more effective monitoring of risk over time.</li> </ul>	Improvement	March 2024	The ROMP policy has been reviewed and there is a direction of travel indicator in recent risk updates to the Audit and Governance Committee. Reporting of the strategic risk register to the Committee remains relatively infrequent, however, with updates in July 2023 and March 2024. We consider this remains at the low end of acceptable and therefore update our Improvement Recommendation in this area to reflect our findings on this and in relation to committee effectiveness, which are linked).	Partly	Yes – see updated improvement recommendation 4 on page 17.
<p>The Council should ensure adequate priority is given within the capacity planning of internal audit to ensure key areas of risk are covered, particularly where planned work could not be completed in 2022/23 due to capacity issues in the internal audit service. Specifically, as it clears outstanding 2022/23 audit work and takes forward the 2023/24 plan, it should ensure there is adequate focus on:</p> <ul style="list-style-type: none"> <li>• Anti-fraud activities as stipulated in the plan to ensure effective monitoring of activities is done and a robust system is in place; and</li> <li>• Cyber and IT audits, to support the Council's continuing response and lessons learned exercise following the August 2023 cyber attack.</li> </ul> <p>5</p>	Improvement	March 2024	Our review (see page 17) indicates there has been progress in recovering the internal audit position following recruitment to key posts. The level of proactive fraud work undertaken could however be clearer.	Partly	Yes - See improvement recommendation 4 on page 17.

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C: Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
6 We recommend the Audit and Governance Committee is provided with regular reports on breaches and waiver activity to allow for monitoring of performance in this area.	Improvement	March 2024	In our 2022/23 Auditor's Annual report, presented to the Audit and Governance Committee in March 2024, we recommend the Council provide the Committee with an up-to-date report on contract waivers and breach activity. We understand this is scheduled but will now not take place until winter 2024. We therefore consider this recommendation remains open at this time	No – but we expect this to be actioned during 2024.	Yes
7 We recommend the Council commission a re-review of its estate management arrangements, to provide Audit and Governance Committee with further assurance that the implementation of recommendations is complete and that the improvements made have been sustained.	Improvement	March 2024	We note that Internal Audit reported its follow up in April 2024. A reasonable assurance opinion was provided	Yes	No

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



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