

North Somerset Council

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

28 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 North Somerset 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:

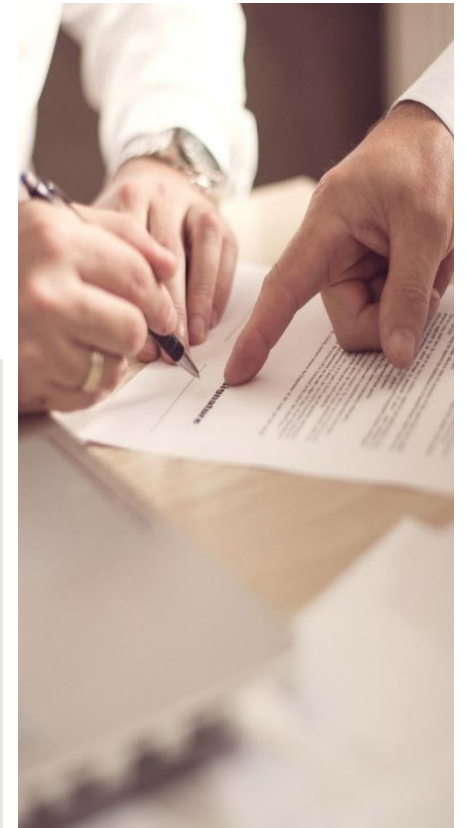
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

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 12 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 has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 35.



Financial sustainability

The Council delivered a £0.3m net underspend for 2023/24 which was an improved position in comparison to the £2.3m overspend forecast at Month 8, and was achieved through the emergency actions that the Council took to mitigate the financial pressures identified during the year.

We have found no significant weaknesses in arrangements with regard to how the Council approaches its annual and medium-term financial planning. Financial planning assumptions appear reasonable, and Members are provided with regular and comprehensive financial planning reports. The Council identifies the financial pressures that it faces, and these are reflected in the financial plans presented to Members. The Council has a good track record for delivering planned savings and had made significant progress addressing the £50m budget gap identified in the September 2023 Medium Term Financial Plan (MTFP), setting a balanced budget for 2024/25 without the need to utilise reserves and with a schedule of £42.6m of savings included in the MTFP.

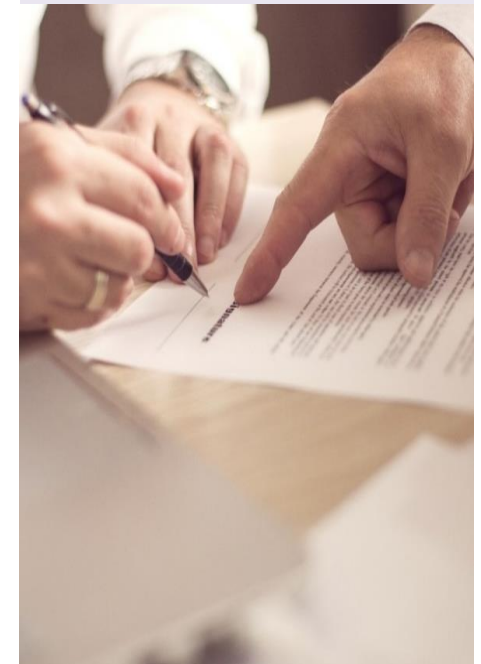
However, the Council is facing further significant financial challenges, relating to the £8.5m forecast overspend in 2024/25 and the significant budget gap arising in 2025/26. The Medium-Term Financial Plan 2025-28 reported to Executive in September 2024 identifies a budget gap over the three years to 2027/28 of £29.3m with a £14.9m budget gap for 2025/26.

These financial challenges must be addressed through the development and delivery of recurring savings that rebase the Council's budget to a sustainable level. Directors have been allocated a further £30m savings target and we understand at the time of writing that good progress is being made in validating savings proposals. We have not raised any recommendations in relation to developing savings plans in recognition of the arrangements that the Council has in place and good track record for delivering savings.

The Council can demonstrate that it is taking actions to manage cost and demand in Adults Social Services and Children's Services through various efficiency and transformation workstreams. However, the Council continues to experience significant financial pressures due to the increasing cost and demand for social care. Financial pressures within Adult Social Services and Children's Services are largely driving the forecast mitigated budget overspend of £8.5m as at Month 5 2024/25, despite significant additional resources being built into the budget for 2024/25. Service growth and outturn positions have produced a net £41.4m pressure for Adult Social Care and £34.8m for Children's Services within financial planning between the outturn position 2023/24 and the 2027/28 MTFP projection. Managing cost and demand within these services will be crucial to delivering financial sustainability over the medium term.



We have issued an unmodified opinion after the meeting of the Audit Committee on 28 November 2024. Our findings are set out in further detail on page 11.



Executive summary (continued)



Financial sustainability (continued)

We have raised an improvement recommendation that the Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult Social Services and Children's Services.

We will continue to closely monitor the impact that cost and demand pressures within social care are having on the Council's financial position, and the impact of actions taken to mitigate these pressures.

The Council is working with the Department for Education through the Safety Valve programme to reduce the Dedicated Schools Grant deficit. The latest DSG monitoring return projects increasing annual deficits each year from £9.0m in 2024/25 to £10.9m by 2027/28, before safety valve funding contributions. The unmitigated cumulative deficit is forecast to rise from £13.3m as at 31 March 2024 to £43.5m as at March 2028. The Council has identified significant issues with delivering the agreed reductions to the annual DSG deficit as part of the Safety Valve agreement and is seeking to revise the activities and timescales within the agreed plan. The growing annual and cumulative DSG deficit is a significant risk to the financial sustainability of the Council should the statutory override be removed in March 2026. This is a currently a common pressure across the sector.

We have raised a key recommendation that the Council should continue to take action to reduce the annual DSG deficit and seek to agree a revised Safety Valve agreement with the Department for Education that provides for a realistic trajectory to achieve financial balance for DSG.

It is important for the Council to maintain prudent levels of reserves, to allow for the mitigation of financial risk and to fund corporate priority projects. The Council increased the General Fund balance to £10.5m as a result of the 2023/24 outturn surplus and this is forecast to be maintained over the period of the MTFP. The Council maintained £78.1m in earmarked revenue reserves as at 31 March 2024, but these are forecast to reduce to £22.7m by 2027/28 as reserves are utilised to support services.

The improvement recommendation that we have raised elsewhere in this report with regard to managing demand and cost in social care will help ensure that reserves can be maintained at prudent levels and are not relied upon to balance significant budget gaps in the future.



Governance

The Council has a Risk Management Strategy in place which defines the vision, aims and approach to risk management. Regular strategic risk register updates are provided to the Audit Committee and to the Executive during the year. We note that there are opportunities to further strengthen risk management reporting by mapping strategic risks to corporate priorities to provide clarity on the impact of risk to the delivery of corporate objectives, to identify the owners for strategic risks in the strategic risk register to increase accountability, and to identify further actions and target dates to mitigate residual risk. The Council has already addressed some of these elements within the refreshed Risk Management Strategy approved in April 2024.

Executive summary (continued)



Governance (continued)

We have raised an improvement recommendation that the Council should continue to strengthen risk management reporting arrangements by embedding the updates to the Risk Management Strategy approved in April 2024. Consideration should be given to providing more information in the strategic risk register in relation to mapping strategic risks to corporate priorities, identifying risk owners, and identifying further actions to manage residual risk with named officers and target dates.

The overall internal audit opinion for 2023/24 was that the Council's internal control framework was satisfactory. The Audit and Assurance Annual Report 2023/24 confirmed that 36 out of 44 pieces of internal audit work (82%) were finalised or substantially in progress, with all of the recommendations agreed in 2023/24 found to have been implemented when they were due. The Audit Committee met regularly during 2023/24 and received adequate reports on the progress of the delivery of the internal audit plan. We have not found any indications of significant weakness with regard to either the Council's control environment or the effectiveness of internal audit.

We note that the Council do not maintain a central register of approved procurement exceptions and therefore there is no oversight of the total volume or value of exceptions, or whether there are themes relating to the approval of exceptions that could be challenged and addressed to reduce their volume. It is considered best practice to provide those charged with governance regular procurement exception reports so that they can be assured that procurement exceptions are only approved for sound reasons and challenge where procurements have not followed approved competitive processes designed to achieve value for money.

We have raised an improvement recommendation that the Council should maintain a central register of approved procurement exceptions and provide regular reports on approved exceptions to those charged with governance.



Improving economy, efficiency and effectiveness

The Council monitors performance through quarterly PowerBI performance dashboards provided to Directorate and Corporate Leadership Teams which include an overview of progress against the four ambitions of the Corporate Plan and annual directorate statements, as well as information relating to the medium-term financial plan and directorate and strategic risk registers. Executive Members also receive quarterly update dashboard reports for priority actions. The Executive receive formal quarterly Performance and Risk Update reports which include directorate statement commitments and key performance indicators, in addition to the strategic risk register. Therefore, the Council reports performance and risk in an integrated way through the performance dashboards and the formal reports to Executive, which is considered good practice.

The Performance and Risk Update reports to Executive are comprehensive and provide a range of detailed performance information. We have not found any significant weaknesses in arrangements. We note however that the covering report does not provide a summary that highlights areas of strong performance and areas where performance is below target along with the mitigating actions being taken to improve poor performance.

We have raised an improvement recommendation that in line with best practice the Performance and Risk Update reports to Executive should include a summary that highlights areas of strong performance, areas where performance is below target, and mitigating actions being taken to improve poor performance.

The Ofsted inspection of Children's Services in March 2023 provided an overall judgement of "requires improvement to be good". The Ofsted action plan was submitted to Ofsted in August 2023 and the June 2023 Children and Young People Services Policy and Scrutiny Panel received the Ofsted Inspection Update Report setting out the outcome of the inspection and the identified areas for improvement. Scrutiny Panel has not received regular reports since then updating Members on the progress delivering the Ofsted action plan.

Executive summary (continued)



Improving economy, efficiency and effectiveness

The Ofsted action plan has been merged with the Children's Services delivery plan to create one overall plan to deliver improvement in Children's Services. This plan was submitted to the DfE in August 2024. The Council has signed up with a formal sector led improvement partner, North Tyneside Council, who will support and challenge the Council to ensure delivery of the actions and improvements identified within the plan.

We have raised an improvement recommendation the Council should continue to ensure that the Children and Young People Services Policy and Scrutiny Panel are provided with appropriate and adequate oversight of the delivery of the Children's Services Improvement Plan to provide assurance on the pace of improvement

The Council's Procurement Strategy recognises that effective contract management can mitigate against financial risks within contracts and deliver other benefits relating to better quality services and outcomes for service users. Contract Standing Orders set out the contract management process, requiring a named contract manager for each contract, and proportionate contract management procedures that are appropriate for the contract.

The responsibility for contract management is devolved across services. There is no responsibility for the central oversight of contract management, to ensure that contracts across the Council are being managed in accordance with Contract Standing Orders. While the Strategic Procurement Team can provide advice to contract managers on what constitute proportionate contract management arrangements, they do not hold responsibility for contract management.

We have raised an improvement recommendation that the Council should strengthen contract monitoring by implementing arrangements to provide central oversight of contract management processes and provide assurance that contracts are being managed in accordance with Contract Standing Orders. This would provide assurance that contracts across the Council are delivering cost and performance specifications and are achieving value for money.

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
Financial sustainability	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No risk of significant weakness with regard to arrangements to achieve financial sustainability were identified at the planning stage.	<p>We have identified a significant weakness in arrangements and raised one key recommendation relating to continuing to take action to reduce the annual DSG deficit.</p> <p>We have found no significant weaknesses in arrangements with regard to how the Council approaches its annual and medium-term financial planning.</p> <p>We have raised one improvement recommendation relating continuing to deliver mitigating actions to manage demand and cost in Adult Social Services and Children's Services. Improvement recommendations relate to actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.</p>
Governance	No significant weaknesses in arrangements identified, or improvement recommendations made.	No risk of significant weakness with regard to governance arrangements were identified at the planning stage.	<p>We have not identified any significant weaknesses in arrangements.</p> <p>We have raised two improvement recommendations. These relate to continuing to strengthen risk management reporting arrangements and maintaining and reporting on a central register of approved procurement exceptions.</p>
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No risk of significant weakness with regard to arrangements to improve economy, efficiency and effectiveness were identified at the planning stage.	<p>We have not identified any significant weaknesses in arrangements.</p> <p>We have raised three improvement recommendations. These relate to including a summary of good and poor performance and mitigating actions in Performance and Risk Update reports, ensuring appropriate oversight of the delivery of the Children's Services Improvement Plan, and implementing arrangements to provide central oversight of contract management processes.</p>

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



Opinion on the financial statements



Audit opinion on the financial statements

We issued an unmodified opinion after the meeting of the Audit Committee on 28 November 2024.

The full opinion will be included in the Council's Financial Statements, 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.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit Committee on 28 November 2024. 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

Statutory recommendations

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

We did not make any 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.

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 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

The Council provides a full range of local government services including housing, waste collection and disposal, education, social services, leisure and planning.

The Council operates under executive arrangements, with a Leader and Executive model. The Full Council elects the Leader, and the Leader appoints members of the Executive and allocates portfolios from amongst the members of the Council. The Council's overall policy is set by the 50 elected Councillors. Following the local elections in May 2023, no single political group has an overall majority and a partnership administration has been formed between the Liberal Democrats and Independents Group, Labour Group, Green Group, Portishead Independent Group and the Independent Group.

The Council approved its Corporate Plan 2024-28 in February 2024. The vision is for a Council that is Open, Fair and Green, and the Corporate Plan identifies the following ambitions:

- Our children and young people are cared for, safe, supported, and are given equality of opportunity to thrive;
- Our communities are caring, healthy and safe, where people help each other to live well;
- Our towns and villages are thriving and sustainable places to live, work and visit;
- Our Council delivers consistently good services and value for money to support our community.

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 delivered a £0.3m net underspend for 2023/24 which was transferred to the General Fund Balance to increase financial resilience. This was an improved position in comparison to the £2.3m overspend forecast at Month 8, and was achieved through the actions that the Council took to mitigate the overspend.

The Council set a balanced budget for 2024/25 without the need to utilise reserves to fund recurring expenditure. Additional resource was built into the 2024/25 budget to reflect cost and demand pressures within Children’s Services and Adult Social Services. Despite the additional resources built into the 2024/25 budget, the Month 5 forecast is a gross overspend of £24.6m, which reduces to £8.5m after mitigations. The position is largely driven by overspends in Children’s Services and Adult Social Services. The Council has further developed its mitigating actions including implementing spending control panels, tighter vacancy management, reviewing the capital programme, bringing in transformation support and identifying additional income opportunities. These actions were reported to Council in September 2024.

When the Council set the 2024/25 budget, a total budget gap of £13.8m over three years to 2027/28 was forecast with a gap of £9.2m identified for 2025/26. The Medium-Term Financial Plan 2025-28 reported to Executive in September 2024 forecasts a significantly worsened financial trajectory, with the gap over three years to 2027/28 increased to £29.3m with a £14.9m budget gap for 2025/26. The revised financial projections include significant additional spending assumptions for Children’s Services and Adult Social Services.

We have found no significant weaknesses in arrangements with regard to how the Council approaches its annual and medium-term financial planning. Financial planning assumptions appear reasonable, and Members are provided with regular and comprehensive financial planning reports. The Council identifies the financial pressures that it faces, and these are reflected in the financial plans presented to Members. However, the Council is facing significant financial challenges, relating to the forecast overspend in 2024/25 and the significant budget gap arising in 2025/26. These must be addressed through the development and delivery of recurring savings that rebase the Council’s budget to a sustainable level. We have not raised any recommendations in relation to developing savings plans in recognition of the arrangements that the Council has in place and good track record for delivering savings.

We have raised an improvement recommendation on page 22 relating to managing the cost and demand of social care.

The in-year monitoring against the Safety Valve programme for 2024/25 shows that despite considerable progress on managing the deficit as part of the programme, there is a projected increasing DSG annual deficit each year from £9.0m in 2024/25 to £10.9m by 2027/28, with the cumulative deficit forecast to rise to £43.5m by 31 March 2028. The Council has identified significant issues with delivering the agreed reductions to the annual DSG deficit as part of the Safety Valve agreement and is seeking to revise the activities and timescales within the agreed plan with the Department for Education. We have raised a key recommendation that the Council should continue to take action to reduce the annual DSG deficit.

R

- 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)



We considered how the audited body:

Commentary on arrangements

Assessment

plans to bridge its funding gaps and identifies achievable savings

The MTFP Update report presented to Executive in September 2023 sets out the high-level approach and core principles for closing the budget gap. At this point, the budget gap for the four-year period 2024/25 to 2027/28 was estimated at £50.6m, with a £17.2m gap forecast for 2024/25. Directorates were allocated a £40m savings target with the remaining £10m gap to be bridged by maximising the resource base. The Council can demonstrate that significant progress was made in addressing the budget gaps identified in the September 2023 MTFP through implementing the financial strategy. The Council set a balanced budget for 2024/25 with a schedule of £42.6m of savings included in the MTFP, of which £16.2m were scheduled for delivery in 2024/25.

The Council has a good track record for delivering planned savings. Savings of £10.1m were delivered against a target of £10.4m in 2023/24 (97%), and as at Month 3 2024/25 the forecast is that the Council will deliver £15.4m of savings against the £16.2m target (95%).

Due to increasing budget gaps forecast in the September 2024 MTFP, Directors have been allocated a further £30m savings target and we understand at the time of writing that good progress is being made in preparing savings proposals of £12.4m for 2025/26 and £21.9m across the period of the MTFP. As part of the budget process the Council has used the Substitute, Combine, Adapt, Magnify, Put to another use, Eliminate and Reverse (SCAMPER) model to evaluate how services are delivered and opportunities for generating efficiencies.

The Council can demonstrate that it is making good progress in balancing the budget gaps identified in the MTFP. We have not raised any recommendations in relation to developing savings plans in recognition of the arrangements that the Council has in place and good track record for delivering savings.

G

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council can demonstrate that there is a coherent link between corporate priorities and financial planning. The Council approved the Council Plan 2024-28 at the same meeting as the Budget 2024/24 in February 2024. The Council Plan sets out the vision for a council that is Open, Fair and Green with associated ambitions relating to cared for children, healthy and safe communities, thriving sustainable towns, and delivery of good services and value for money. The Council Plan sets out how proposed spending in 2024/25 will support each of the Council’s ambitions.

The capital programme supports the delivery of strategic priorities. The Council approved the Capital Strategy 2024-28 in February 2024 with additional schemes approved relating to schools, highways and corporate asset management. The report demonstrates how the Council use their resources to support children and young people, tackle the climate emergency and invest in communities and infrastructure.

The Council is experiencing significant financial pressures due to the increasing cost and demand for social care. Financial pressures within Adult Social Services and Children’s Services are largely driving the forecast mitigated budget overspend of £8.5m as at Month 5 2024/25, despite significant additional resources being built into the budget for 2024/25.

Service growth and outturn positions have produced a net £41.4m pressure for Adult Social Care and £34.8m for Children’s Services within financial planning between the outturn position 2023/24 and the 2027/28 MTFP projection.

The Council can demonstrate that it is taking actions to manage cost and demand in Adults Social Services and Children’s Services through various efficiency and transformation workstreams. However, these services continue to experience demand and cost pressures that are having a significant impact on the overall financial position of the Council and the budget deficits projected over the medium term. Managing cost and demand within these services will be crucial to delivering financial sustainability over the medium term.

We have raised an improvement recommendation that the Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult Social Services and Children’s Services.

A

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

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 can demonstrate that financial planning assumptions are consistent with other key strategies. The People Strategy 2021-24 sets out how the Council will work with staff and stakeholders to direct resources to have the most impact in supporting delivery of the Council Plan. Themes include flexible and agile ways of working enabled by the Digital Strategy. The capital programme includes projects to support the Digital Strategy as well as the Accommodation Strategy. Savings included within the MTFP include £5.0m of savings over 4 years relating to "The Way We Work" service delivery models and efficiencies.

The Capital Strategy confirms that the Council continues to develop its longer-term strategic plans for assets to assess whether assets should be held and maintained to support service delivery or whether they should form part of the Council's divestment plans. The Council recognises that to achieve the ambition to be net zero carbon by 2030 they need to ensure that carbon impacts of investments are made clear and evaluated through options appraisal. The capital programme includes projects to support net zero, including decarbonisation of heat, energy efficient buildings, rooftop solar pilot and campus decarbonisation.

G

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council implemented a range of emergency budget measures during 2023/24 to mitigate the forecast budget overspend, including increased vacancy management, enhanced spending controls, and a review of reserves. This resulted in the delivery of a £0.3m budget surplus for 2023/24 compared to a £2.3m projected overspend at Month 8.

Budget monitoring reports clearly identify actions being taken to mitigate adverse budget variances and also include an extract of the financial risks within the Strategic Risk Register. The S151 Officer's Section 25 Statement included within the budget report sets out the key budget risks and drivers of cost and confirms that the budget is robustly prepared and level of reserves adequate. The budget report 2024/25 also includes the results of sensitivity analysis and scenario modelling for key elements of risk within the budget.

The Council increased the General Fund balance to £10.5m as a result of the 2023/24 outturn surplus, which represents 4.8% of the net 2024/25 budget. This level of reserves is consistent with the Council's reserve strategy to maintain 4%-6% of the net budget as a prudent level of General Fund balance. While the Council maintained £78.1m in earmarked revenue reserves as at 31 March 2024, these are forecast to reduce to 22.7m by 2027/28 as reserves are utilised to support services. The level of the General Fund balance is projected to be maintained at £10.5m over this period.

It is important for the Council to maintain prudent levels of reserves, to allow for the mitigation of financial risk and to fund corporate priority projects. We have not identified any significant weakness with regard to arrangements to manage financial risk. The improvement recommendations that we have raised elsewhere in this report with regard to managing demand and cost in social care, and continuing to develop and deliver a pipeline of recurring savings that will rebase the Council's budgets to a sustainable level, will help ensure that reserves can be maintained at prudent levels and are not relied upon to balance significant budget gaps in the future.

G

Financial sustainability (continued)



Significant weakness identified – dedicated schools grant (DSG) deficit

The Council is working with the Department for Education (DfE) through the Safety Valve programme to reduce the DSG deficit, which includes a £20m financial contribution from the DfE over the period of the five-year recovery plan. The DSG deficit is growing due to the impact on the high needs block of the increasing numbers of children with education, health and care plans and a rise in costs as placements have to be made in the independent sector where needs cannot be met in mainstream education.

The progress of the DSG deficit management plan is monitored by Children's Services, an internal board chaired by the Chief Executive, and quarterly meetings with the DfE. The Council has a series of plans in place to address the deficit, including providing more local specialist provision, increasing early intervention and prevention, and improving commissioning arrangements.

The Council incurred a DSG deficit of £6.5m for 2023/24, offset by a £2.9m contribution from the DfE through the Safety Valve programme, which resulted in a net increase in the cumulative DSG deficit of £3.6m to a total £13.3m. The Month 3 2024/25 budget monitoring report forecasts a DSG overspend of £9m, offset by £1.3m of Safety Valve funding, resulting in a net deficit of £7.6m. This forecast would result in a cumulative DSG deficit of £20.9m by 31 March 2025. The Council's general fund balance is £10.4m and so would not be sufficient to fund the cumulative DSG deficit should the statutory over-ride end on 31 March 2026.

The latest DSG monitoring return provided to the DfE projects increasing annual deficits each year from £9.0m in 2024/25 to £10.9m by 2027/28, before safety valve funding contributions, despite considerable progress on managing the deficit as part of the programme. The unmitigated cumulative deficit is forecast to rise from £13.3m as at 31 March 2024 to £43.5m as at March 2028. The Council has identified significant issues with delivering the agreed reductions to the annual DSG deficit as part of the Safety Valve agreement, relating to the realignment of top up funding, cost of specialist provision, and activities to support earlier intervention and inclusion. The Council is currently seeking to revise the activities and associated costs on the Safety Valve agreement and extend the timescale for the delivery of the plan. The Council has concerns regarding the impact of the growing DSG deficit on financial sustainability should the statutory override be removed in March 2026.

The growing annual and cumulative DSG deficit is a significant risk to the financial sustainability of the Council should the statutory override be removed in March 2026. We have raised a key recommendation that the Council should continue to take action to reduce the annual DSG deficit and seek to agree a revised Safety Valve agreement with the Department for Education that provides for a realistic trajectory to achieve financial balance for DSG.

Key Recommendation 1 – The Council should continue to take action to reduce the annual DSG deficit and seek to agree a revised Safety Valve agreement with the Department for Education that provides for a realistic trajectory to achieve financial balance for DSG.

Financial sustainability (continued)



Areas for improvement – managing cost and demand in Adults and Children’s Services

The Council is experiencing significant financial pressures due to increasing cost and demand for social care. Financial pressures within Adult Social Services and Children’s Services are largely driving the forecast mitigated budget overspend of £8.5m as at Month 5 2024/25, despite significant additional resources being built into the budget for 2024/25. There are further significant increases to these budgets built into the MTFP. The additional resources allocated to Adult Social Services and Children’s Services that are impacting on the financial position, and therefore the financial sustainability, of the Council are summarised in Figure 1.

We have raised an improvement recommendation that the Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult Social Services and Children’s Services.

Adult Social Services

Adult Social Services are experiencing significant cost and demand pressures due to increased demand and complexity of care. Modelling provided in the 2023/24 outturn report shows that demand levels are 12% higher than one year ago and back to pre-covid levels for adult social care provision, with a 12% increase on the weighted average cost of provision.

Adult Social Services delivered a £1.3m underspend for 2023/24, although this position included the release of approximately £4m of one-off resources from the market sustainability fund. The 2024/25 budget included £8.9m of growth for Adult Social Services, and despite this growth the service is forecast to overspend by £5.3m for 2024/25. As demonstrated in Figure 1, service growth and outturn positions have produced a net £41.4m pressure within financial planning between the outturn position 2023/24 and the 2027/28 MTFP projection.

The budget report 2024/25 identifies £11.2m of Adult Social Services savings that are built into the MTFP projections for the period 2024/25 to 2027/28 through efficiencies and transformation themes relating to managing demand, reablement, maximising independence and service delivery models. There is work underway to review the end-to-end customer

journey, supported by external consultancy support, in order to streamline the process and remove duplication with a view to identifying improvements in efficiency, effectiveness and economy.

The Council is also expanding the use of technology to support the assessment process by transcribing social worker visit conversations into care assessments using Microsoft Magic Notes, and in supporting effective and efficient care through the use of devices such as movement monitors and medication prompts. The Council is also trialling a chatbot on the Council website to signpost people effectively to the right care pathways.

Governance arrangements are in place to manage cost and demand, such as the Eligibility and Resource Forum which reviews care packages that exceed defined criteria, and the Supported Living Allocation Forum which was set up in October 2024 to consistently review all supported living referrals on the basis of need and financial considerations.

Figure 1: Adult Social Services and Children’s Services Budget Pressures and Growth

	Adult Social Services £m	Children’s Services £m
Over/(Underspend) 2023/24	(1.3m)	8.6
Budget Growth 2024/25	8.9	7.2
Forecast Overspend M5 2024/25 (mitigated)	5.3	8.4
Forecast Growth 2025/26 (September 2024 MTFP)	14.4	10.4
Forecast Growth 2026/27 (September 2024 MTFP)	6.9	0.1
Forecast Growth 2027/28 (September 2024 MTFP)	7.2	0.1
Total General Fund Growth/Overspend	41.4	34.8

Financial sustainability (continued)



Areas for improvement – managing cost and demand in Adults and Children’s Services (continued)

Adult Social Services (continued)

The Council is also managing the risks associated with rising debt from client contributions relating to Adult Social Services, which was at £6.1m at the time of writing. A debt advisor has been employed through Alliance Homes to support people and prevent them getting into debt, partly by ensuring that they are receiving all eligible benefits. Other actions to recover debt include payment plan engagement, weekly discussion of referrals with Alliance Homes, and additional resources allocated to undertake social care debt collection.

The service works with the finance team to undertake cost and volume modelling using national demographic data adjusted for local circumstances to forecast demand for care. Adult Social Services also works with Children’s Services through a joint panel to monitor and track children in care from the age of 14 to identify future demand pressures.

The Council can therefore demonstrate that it is taking actions to manage cost and demand in Adults Social Services through various efficiency and transformation workstreams relating to managing demand, reablement, maximising independence and service delivery models, as well as through panels and forums aimed at reviewing and challenging high-cost packages of care and ensuring a consistent approach based on need. However, the service continues to experience demand and cost pressures that are having a significant impact on the overall financial position of the Council and the budget deficits projected over the medium term.

We have therefore raised an improvement recommendation that the Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult Social Services.

Children’s Services

Children’s Services are experiencing significant cost and demand pressures relating to securing sufficient registered placements for children in care, with the numbers of children in care increasing from 200 to 250 during 2023/24. The increasing complexity of care and insufficient local placement provision also creates cost pressures.

Children’s Services delivered an £8.6m overspend for 2023/24. The 2024/25 budget included £7.2m of growth for Children’s Services, and despite this growth the service is forecast to overspend by £8.4m for 2024/25. As demonstrated in Figure 1, service growth and outturn positions have produced a net £34.8m pressure within financial planning between the outturn position 2023/24 and the 2027/28 MTFP projection.

The Council is taking action to mitigate the financial challenges within Children’s Services through transformational activity, supported by third party consultancy resources, and the Children’s Services improvement plan. The budget report 2024/25 identifies £9.2m of savings over the period of the MTFP to 2027/28 with transformational themes relating to reviewing the approach to service delivery in social care services, partnership working, efficiency and alternative types of service provision. Transformational activity to review and update the approach to home to school transport services is another key area. Children’s Services are further refining the model used to forecast cost and demand for different types of care which will be used to inform the 2025/26 budget process, recognising that the numbers of children needing care modelled for 2024/25 have been exceeded.

The Council’s Valuing Care Programme has introduced changes over 2023/24 in how services are delivered to children. Strategies have been developed to provide clear pathways to ensure services meet children’s needs and are provided efficiently. Improvements from this workstream are intended to be successfully delivered through increasing staff capacity, implementing new processes and reviewing opportunities to change the local provision, but the Council recognises that it will take some time to embed and deliver change in this area.

Financial sustainability (continued)



Areas for improvement –managing cost and demand in Adults and Children’s Services (continued)

Children’s Services (continued)

As part of the work to balance the 2025/26 budget through the SCAMPER model, opportunities for savings have been identified through the review of all existing care placements to ensure that they are appropriate in relation to need, considering joint commissioning with health and increasing contributions from partners. Opportunities with regard to fostering are identified that include participation in the regional recruitment hub and effective model of Mockingbird placements.

The Director of Children’s Services is currently developing the Council’s new sufficiency strategy aimed at ensuring there is adequate sufficiency of care placements for children, which is a statutory responsibility. The challenge is to ensure sufficiency in a cost-effective manner.

The Council can therefore demonstrate that it is taking actions to manage cost and demand in Children’s Services through various efficiency and transformation workstreams relating to service delivery, partnership working and alternative types of service provision. However, the service continues to experience demand and cost pressures that are having a significant impact on the overall financial position of the Council and the budget deficits projected over the medium term.

We have therefore raised an improvement recommendation that the Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Children’s Services.

Improvement Recommendation 1 – The Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult Social Services and Children’s Services. Actions should include:

- Embedding and delivering the Adults and Children’s transformation programmes;
- Continuing to model and challenge demand and cost data to ensure budgets are based on accurate projections.

Financial sustainability (continued)



Savings plans

The Council delivered a £0.3m net underspend for 2023/24. This was an improved position in comparison to the £2.3m overspend forecast at Month 8, and was achieved through the emergency actions that the Council took to mitigate the overspend, including vacancy management, additional spending controls and a review of reserves. However, within this net position there were significant service overspends due to demand and cost pressures, including Children's Services, home to school transport and waste collection.

The Council set a balanced budget for 2024/25 without the need to utilise reserves to fund recurring expenditure. The budget report clearly sets out the assumptions underlying the budget forecasts and these assumptions do not appear unreasonable, reflecting in-year budget pressures, inflation, the local government finance settlement, and with additional resources allocated to reflect increased cost and demand pressures in social care.

Despite the additional resources built into the 2024/25 budget, the Month 5 forecast is a gross overspend of £24.6m which equates to 10.9% of the net budget, which reduces to £8.5m after mitigations. The position is largely driven by overspends in social care due to increased demand and cost of care. The Council has identified a range of further options to balance the 2024/25 budget, including Directors identifying actions to mitigate overspends within their services, review of earmarked reserves and spending controls. The Update on Emergency Budget Pressures report to Council in September 2024 highlights that these emergency budget measures are urgently required to both close the budget gap in 2024/25 and provide a focus to balance the 2025/26 budget, "because without this the council faces the very real possibility of being in Section 114 territory".

As at Month 5 the Council had identified £16.1m of mitigations to the gross budget overspend, compared to £11.9m as at Month 3. This demonstrates the continuing work of the Council to mitigate the in-year budget pressures, resulting in a reduced forecast mitigated overspend at Month 5 of £8.5m compared to £11.7m at Month 3. However, while the cost and demand pressures experienced by the Council are recurring in nature, many of the mitigations identified for 2024/25 are one-off and so will not address budget pressures in future years.

Executive receive Medium Term Financial Plan (MTFP) Update reports during the financial year which update Members on the latest financial planning assumptions, provide detailed forecasts of spending pressures and cost increases across services, and identify high-level strategies for closing forecast budget gaps in future years. When the Council set the 2024/25 budget in February 2024, total annual budget gaps of £13.8m over three years to 2027/28 were forecast with a gap of £9.2m identified for 2025/26. The Medium-Term Financial Plan 2025-28 reported to Executive in September 2024 forecasts a significantly worsened financial trajectory, with the total annual budget gap over three years to 2027/28 increasing to £29.3m with a £14.9m budget gap for 2025/26.

We have found no significant weaknesses in arrangements with regard to how the Council approaches its annual and medium-term financial planning. Financial planning assumptions appear reasonable, and Members are provided with regular and comprehensive financial planning reports. However, the Council is facing significant financial challenges, relating to the forecast overspend in 2024/25 and the significant budget gap arising in 2025/26. These must be addressed through the delivery of recurring savings that rebase the Council's budget to a sustainable level.

The MTFP Update report presented to Executive in September 2023 set out the high-level approach and core principles for closing the budget gap. At this point the budget gap for the four-year period 2024/25 to 2027/28 was estimated at £50.6m, with a £17.2m gap forecast for 2024/25. Directorates were allocated a £40m savings target with the remaining £10m gap to be bridged by maximising the resource base. Budget reduction themes identified in financial planning reports relate to: demand management; income generation; ways of working, service delivery and transformation. Council wide transformation is recognised as essential to close the budget gap through the corporate themes of assets and digital.

Significant progress was made in addressing the budget gaps identified in the September 2023 MTFP, as demonstrated in Figure 2. By December 2023 budget gaps were reduced to £3.9m for 2024/25 and £12.9m over the four-year period to 2027/28. The 2024/25 budget had been balanced by February 2024 with a schedule of £42.6m of savings included in the MTFP.

Financial sustainability (continued)



Areas for improvement – savings plans (continued)

We note that the Council has a good track record for delivering planned savings. Savings of £10.1m were delivered against a target of £10.4m in 2023/24 (97%), and as at Month 3 2024/25 the forecast is that the Council will deliver £15.4m of savings against the £16.2m target (95%). This scale of delivery reflects the work the Council undertakes to validate savings plans during the budget process.

Figure 2: Medium Term Financial Plan Annual Budget Gaps

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
September 2023	17.2	14.0	9.5	9.9	50.6
December 2023	3.9	3.2	3.2	2.6	12.9
February 2024	0	9.2	2.5	2.1	13.8
September 2024	0	14.9	11.3	3.1	29.3

As previously highlighted, due to continuing demand and cost pressures in social care, the Council is now facing a significant overspend for 2024/25 and a significant increase in the budget gaps identified in the MTFP.

Directors have been allocated a further £30m savings target and we understand at the time of writing that good progress is being made in validating savings proposals of £12.4m for 2025/26 and £21.9m across the period of the MTFP. As part of the budget process the Council has used the Substitute, Combine, Adapt, Magnify, Put to another use, Eliminate and Reverse (SCAMPER) model to evaluate how services are delivered and opportunities for generating efficiencies. The results of the SCAMPER exercise have been reviewed and challenged by Corporate Leadership Team, Executive, and through a Member workshop.

The Council can demonstrate that it is taking emergency action to address the forecast overspend for 2024/25 and is making good progress in balancing the budget gaps identified in the MTFP.

We have not raised any recommendations in relation to developing savings plans in recognition of the arrangements that the Council has in place and good track record for delivering savings. We have raised an improvement recommendation on page 22 relating to managing the cost and demand of social care.

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

<p>monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has a Risk Management Strategy in place, which defines the vision, aims and approach to risk management and sets out how risks are managed in accordance with the risk management framework. Regular strategic risk register updates are provided to the Audit Committee and to the Executive during the year. The strategic risk register reported to the Audit Committee and Executive includes Red Amber Green (RAG) rated risks based on the likelihood and impact of the risk, providing both the inherent risk rating and residual risk rating after the identified mitigating actions. The strategic risk register reported to Members does not map risks to corporate priorities, identify risk owners or the additional actions required to further manage residual risk. We note that the refreshed Risk Management Strategy approved in April 2024 addresses some of these areas.</p> <p>We have raised an improvement recommendation that the Council should continue to strengthen risk management reporting arrangements by embedding the updates to the Risk Management Strategy approved in April 2024 and by providing more information in the strategic risk register.</p> <p>The overall internal audit opinion for 2023/24 was that the Council’s internal control framework was satisfactory. The Audit and Assurance Annual Report 2023/24 confirmed that 36 out of 44 pieces of internal audit work (82%) were finalised or substantially in progress, with all of the recommendations agreed in 2023/24 found to have been implemented when they were due to be. All but two of the audits completed had an overall audit opinion of satisfactory to excellent. The Audit Committee met regularly during 2023/24, with meetings in September 2023, November 2023, January 2024 and April 2024. The Audit Committee receives adequate reports on the progress of the delivery of the internal audit plan. We have not found any indications of significant weakness with regard to either the Council’s control environment or the effectiveness of internal audit.</p> <p>The Council has an established Corporate Fraud Team and proactive and reactive anti-fraud work is included in the internal audit plan. The Audit Committee is updated on counter fraud activity and investigations through internal audit progress reports and the Counter Fraud Annual Report. The Council has a range of counter fraud and whistle blowing policies in place.</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">A</p>
<p>approaches and carries out its annual budget setting process</p>	<p>The Council's annual budget setting process is robust, commencing with a review of the current financial year's baseline position and an assessment of future budget impacts. The budget is updated to integrate permanent funding changes, updated assumptions, new savings proposals, and service pressures. The Council set a balanced budget for 2024/25 without the requirement to utilise reserves to fund recurring expenditure, with growth included to mitigate spending pressures in social care. The annual budget demonstrates the links with the medium-term financial plan, and also evidences the involvement of residents and other stakeholders in the budget-setting process. We have not identified any recommendations in this area.</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">G</p>

- 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)



We considered how the Audited Body:	Commentary on arrangements	Assessment
<p>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</p>	<p>The Council's budget monitoring and outturn reporting provide a clear understanding of its financial position and provide adequate detail regarding key elements of the Council's budget. The finance team engages with budget holders monthly and presents detailed financial monitoring reports to the Executive regularly. These reports include revenue budget forecasts, narrative explaining financial variances, savings proposal delivery, and capital budget estimates. The Audit Committee also receives quarterly treasury management update reports providing oversight of prudential indicators relating to capital expenditure and financing, debt and investments, and their impact on the general fund. We have not identified any recommendations in this area.</p>	G
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council can evidence that key decisions are supported by sufficiently detailed papers to allow challenge and debate, for example through the papers presented to Council for approval in relation to the commissioning of support services, identifying the preferred supplier for the revenues and benefits service, and the commissioning plan for ICT services. We have found no evidence of decision making that is unlawful or could lead to significant loss or exposure to significant financial or reputational risk. The Council has scrutiny arrangements in place with several scrutiny panels in operation relating to adults and children's services, health, placemaking and communities. These panels scrutinise a wide range of policy, performance and financial information. The Council has an effective Audit Committee which provides oversight and challenge and is supported by two independent members.</p>	G
<p>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>	<p>The Council has adequate arrangements in place to ensure appropriate standards are maintained and legislative or regulatory requirements are met. Arrangements include the quarterly meeting of the Statutory Officers Group to consider significant statutory or legislative issues, and approval of reports by the Monitoring Officer and S151 Officer before consideration by Executive and Council. We have found no evidence of significant breaches of laws or regulations. The Council has appropriate Codes of Conduct in place for Members and officers.</p> <p>Contract Standing Orders include the procurement exception process where approved procurement processes cannot be followed for genuinely urgent situations or where there is a sound legal, financial or value for money reason. We note that the Council does not maintain a central register of approved procurement exceptions and do not provide those charged with governance regular procurement exception reports so that they can be assured that procurement exceptions are only approved for sound reasons and challenge where procurements have not followed approved competitive processes designed to achieve value for money.</p> <p>We have raised an improvement recommendation that the Council should maintain a central register of approved procurement exceptions and provide regular reports on approved exceptions to those charged with governance.</p>	A

Governance (continued)



Areas for improvement – risk management

The Council has a Risk Management Strategy in place, which defines the vision, aims and approach to risk management and sets out how risks are managed in accordance with the risk management framework. The Strategy sets out the governance responsibilities for risk management, defining the role of service managers, directorate and corporate leadership teams, internal audit, Executive members, the Audit Committee and scrutiny panels. Directorate risk registers are maintained and are reviewed to inform the Council's strategic risk register.

The Corporate Leadership Team review the strategic risk register on a quarterly basis, with regular updates provided to the Audit Committee, who also approve the Risk Management Strategy, and to the Executive. We note that during 2023/24 the Audit Committee received risk update reports in September and November 2023, also approving the Risk Management Strategy in April 2024. The Executive received quarterly Performance and Risk Update reports in October 2023, February 2024, April 2024 and July 2024. These quarterly Performance and Risk Update reports include directorate statement commitments, key performance indicators and the strategic risk register, thus providing the Executive an overview in one place of the performance of the Council and risks to delivering corporate priorities. We consider the reporting of risk and performance together in this way to be good practice.

The strategic risk register reported to the Audit Committee and Executive includes RAG rated risks based on the likelihood and impact of the risk, providing both the inherent risk rating and residual risk rating after the identified mitigating actions. We note that strategic risks are not aligned to corporate priorities, which is best practice to ensure that it is clear to Members and officers how strategic risks impact on the delivery of particular strategic priorities. The strategic risk register reported to Audit Committee and Executive would be further strengthened by documenting the further actions identified to manage residual risk, with actions allocated to named officers, with target dates for implementation. This would provide assurance that risks are being actively managed to further reduce their potential impact on strategic priorities. Identifying named officers as risk owners for strategic risks within the strategic risk register would also increase accountability and ownership for the management of risk.

We note that the refreshed Risk Management Strategy approved in April 2024 addresses some of these areas such as reflecting the new Council Plan, identification of risk holders and strategic risk owners, and updating the risk analysis section to be clearer on the role of mitigations when managing risk.

We have therefore raised an improvement recommendation that the Council should continue to strengthen the risk management reporting arrangements that were in place during 2023/24 by embedding the updates to the Risk Management Strategy approved in April 2024. Consideration should be given to providing more information in the strategic risk register in relation to mapping strategic risks to corporate priorities, identifying risk owners, and identifying further actions to manage residual risk with named officers and target dates.

Improvement recommendation 2: The Council should continue to strengthen risk management reporting arrangements by embedding the updates to the Risk Management Strategy approved in April 2024. Consideration should be given to providing more information in the strategic risk register as follows:

- * Aligning risks in the strategic risk register to corporate priorities;
- * Documenting further actions identified to manage residual risk, with actions allocated to named officers with target dates for implementation;
- * Identifying named officers as risk owners for strategic risks.

Governance (continued)



Areas for improvement – procurement exception reporting

The Council's Procurement Strategy 2021-25 is based around seven key themes including climate emergency, social value and value for money and sets out the ambitions, target outcomes and actions for each theme. The Constitution includes Contract Standing Orders that set out the rules that must be used when purchasing works, services and supplies and include the levels of approval required for different values of contract and the procurement procedures to be followed.

Contract Standing Orders also include the procurement exception process where approved procurement processes cannot be followed for genuinely urgent situations or where there is a sound legal, financial or value for money reason. If a relevant exception applies an officer must complete the Exception Form for the relevant decision maker to approve as set out in the contract award approval table. The Strategic Procurement Service must be notified where waivers are approved, and they will record the contract on the contracts register.

The Council maintain a contract register which is published quarterly on the Council's website. This provides key contract information including key officers, contract description, contractor, terms, start and end dates, value and tender process.

We note that the Council does not maintain a central register of approved procurement exceptions and therefore there is no oversight of the total volume or value of exceptions, or whether there are themes relating to the approval of exceptions that could be challenged and addressed to reduce their volume. It is considered best practice to provide those charged with governance regular procurement exception reports so that they can be assured that procurement exceptions are only approved for sound reasons and challenge where procurements have not followed approved competitive processes designed to achieve value for money.

We have raised an improvement recommendation that the Council should maintain a central register of approved procurement exceptions and provide regular reports on approved exceptions to those charged with governance.

Improvement recommendation 3: The Council should maintain a central register of approved procurement exceptions and provide regular reports on approved exceptions to those charged with governance so that they can be assured that procurement exceptions are only approved for sound reasons and challenge where procurements have not followed approved competitive processes designed to achieve value for money.

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 Business Planning Framework monitors progress against Corporate Plan priorities through annual directorate statements. These form the business plans for the Council's five directorates and identify key strategic commitments for the year which are monitored through key project milestones. The Council also monitors key corporate performance indicators.

Directorate and Corporate Leadership Teams receive quarterly PowerBI performance dashboards which include an overview of progress against the four ambitions of the Corporate Plan and annual directorate statements as well as information relating to the medium-term financial plan and directorate and strategic risk registers. Executive Members also receive quarterly update dashboard reports providing detail on project progress and outcomes measures for priority actions.

The Executive receive formal quarterly Performance and Risk Update reports which include directorate statement commitments and key performance indicators, in addition to the strategic risk register. Therefore, the Council reports performance and risk in an integrated way through the performance dashboards and the formal reports to Executive, which is considered good practice.

The Performance and Risk Update reports to Executive are comprehensive and provide a range of detailed performance information. We have not found any significant weaknesses in arrangements, but we have raised an improvement recommendation that, in line with best practice, the Performance and Risk Update reports should include a summary that highlights areas of strong performance, areas where performance is below target, and mitigating actions being taken to improve poor performance.

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 – commentary on arrangements (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

evaluates the services it provides to assess performance and identify areas for improvement

An LGA Corporate Peer Review was undertaken in January 2024. The findings do not indicate any significant weaknesses in arrangements. The July 2024 Executive received the Peer Review and Action Plan report, noting the findings of the review and approving the action plan in response to recommendations made. Performance against the actions will be monitored through the Council’s quarterly performance management framework . Therefore, the Council can evidence that it is responding to the findings of the corporate peer review.

The Ofsted inspection of Children’s Services in March 2023 provided an overall judgement of “requires improvement to be good”. The Ofsted action plan was submitted to Ofsted in August 2023 and the June 2023 Children and Young People Services Policy and Scrutiny Panel received the Ofsted Inspection Update Report setting out the outcome of the inspection and the identified areas for improvement. Scrutiny Panel has not received regular reports since then updating Members on the progress delivering the Ofsted action plan.

The Ofsted action plan has been merged with the Children’s Services delivery plan to create one overall plan to deliver improvement in Children’s Services. This plan was submitted to the DfE in August 2024. The Council has signed up with a formal sector led improvement partner, North Tyneside Council, who will support and challenge the Council to ensure delivery of the actions and improvements identified within the plan. We have made an improvement recommendation that going forward, the Council should continue to ensure that the Children and Young People Services Policy and Scrutiny Panel are provided with appropriate and adequate oversight of the delivery of the Children’s Services Improvement Plan to provide assurance on the pace of improvement.

A

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 actively engages with a wide range of partner organisations and groups to address areas such as community safety, safeguarding, education, economic growth, and health. The partnership approach includes collaboration with local schools and health partners to support children’s potential and improve educational attainment.

The Council’s Corporate Action Plan underscores the importance of partnership working, particularly in caring for children and young people. The Council also conducts surveys, public sessions, and meetings with stakeholder groups to ensure engagement with partners and local people when developing strategies and corporate priorities. Regular feedback from various partnerships is reported to the Council, Health and Wellbeing Board and scrutiny panels, demonstrating the Council’s commitment to partnership engagement and feedback on the work of partnerships.

G

We have not identified any recommendations in this area.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

commissions or procures services, assessing whether it is realising the expected benefits

Contract Standing Orders set out the contract management process, requiring a named contract manager for each contract, and proportionate contract management procedures that are appropriate for the contract. The responsibility for contract management is devolved across services. There is no responsibility for the central oversight of contract management, to ensure that contracts across the Council are being managed in accordance with Contract Standing Orders.

We have raised an improvement recommendation that the Council should strengthen contract monitoring by implementing arrangements to provide central oversight of contract management processes and provide assurance that contracts are being managed in accordance with Contract Standing Orders. This would provide assurance that contracts across the Council are delivering cost and performance specifications and are achieving value for money.

The Council can demonstrate that it has taken appropriate action to address the concerns previously identified relating to the Clevedon Seafront scheme and sought to learn the lessons to apply to future capital projects. The introduction of the Capital Programme Planning and Delivery Board has delivered improvements in governance, oversight and monitoring of capital projects. Further assurance regarding capital programme management is provided from the internal audit report for Capital Governance, which provides Substantial Assurance, noting that improved governance arrangements have led to greater transparency, accountability and effective oversight of capital projects.

A

Improving economy, efficiency and effectiveness (continued)



Areas for improvement – performance reporting

The Council's Business Planning Framework monitors progress against Corporate Plan priorities through developing, implementing and monitoring annual directorate statements. These form the business plans for the Council's five directorates and identify key strategic commitments for the year, including business-as-usual and transformational commitments, which are monitored through key project milestones. The Council also monitors key corporate performance indicators to give an overview of activity and outcomes.

Directorate and Corporate Leadership Teams receive quarterly PowerBI performance dashboards which include an overview of progress against the four ambitions of the Corporate Plan and annual directorate statements. Achievements and challenges with regard to the individual actions within the Corporate Plan are highlighted. The performance dashboards also provide information relating to the medium-term financial plan budget savings and risks, as well as directorate and strategic risk registers. Executive Members also receive quarterly update dashboard reports providing detail on project progress and outcomes measures for priority actions.

The Executive receive formal quarterly Performance and Risk Update reports which include directorate statement commitments and key performance indicators, in addition to the strategic risk register. Therefore, the Council reports performance and risk in an integrated way through the performance dashboards and the formal reports to Executive, which is considered good practice. The Performance and Risk Update reports to Executive provide a high-level RAG rated overview of the completion of annual directorate statement commitments and key corporate performance indicators through pie charts, with an appendix detailing the full list of performance indicators or a link to the published performance dashboard. An appendix provides further information relating to the annual directorate statement commitments with RAG rated progress against each commitment across each Directorate.

The Performance and Risk Update reports to Executive are comprehensive and provide a range of detailed performance information. We note however that the report does not provide a summary that highlights areas of strong performance and areas where performance is below target along with the mitigating actions being taken to improve poor performance. Providing this summary would help readers of the report gain an overview of where performance needs to improve, and the actions being taken to do so.

We have raised an improvement recommendation that, in line with best practice, the Performance and Risk Update reports to Executive should include a summary that highlights areas of strong performance, areas where performance is below target, and mitigating actions being taken to improve poor performance.

Improvement recommendation 4: In line with best practice, the Performance and Risk Update reports to Executive should include a summary that highlights areas of strong performance, areas where performance is below target, and mitigating actions being taken to improve poor performance.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement – children’s improvement plan

The Ofsted inspection of Children’s Services in March 2023 provided an overall judgement of “requires improvement to be good”. Ofsted reported that since the last inspection in March 2020, when the Children’s Services were judged to be “requires improvement”, the Council has not made sufficient progress, and children do not experience a consistently good service. The restructure of the directorate, Covid19, high staff turnover and increasing demand are identified by Ofsted as contributing to a pace of improvement that has been too slow for many children. Ofsted also identified that an appropriate service-wide plan is in place that is aimed at securing the required improvements, with senior leaders having a strong understanding of the key priorities to focus on to improve services.

We note that the Annual Governance Statement 2023/24 notes Ofsted and Children’s Services as a continuing significant issue in 2023/24, with improvement work commenced but challenged by significant turnover in the leadership team and high numbers of social worker vacancies. As of January 2024, there is a full permanent leadership team in place to lead improvement and investment has been made in quality assurance with steps taken to secure additional capacity while social worker recruitment is undertaken.

We raised an improvement recommendation in the Auditor’s Annual Report 2022/23 that the Council should continue the on-going oversight of the action plan undertaken by the Children and Young People’s Services Policy and Scrutiny Panel and subsequently the Council Executive Committee.

The Ofsted action plan was submitted to Ofsted in August 2023 and progress tracked through a performance and quality assurance board, additional performance clinics and manager BI dashboards, with quality assurance activity put in place to drive improvement. The June 2023 Children and Young People Services Policy and Scrutiny Panel received the Ofsted Inspection Update Report setting out the outcome of the March 2023 Inspection and the identified areas for improvement. The Scrutiny Panel also receives updates on progress made implementing the SEND Improvement Plan and performance monitoring that includes comparators relating to “good” Ofsted performance ratings against applicable key performance indicators. However, the Children and Young People Services Policy and Scrutiny Panel has not received regular reports updating Members on the progress delivering the Ofsted action plan.

The Ofsted action plan has been merged with the Children’s Services delivery plan to create one overall plan to deliver improvement in Children’s Services. This plan was submitted to the DfE in August 2024. The Council has signed up with a formal sector led improvement partner brokered by the DfE (North Tyneside Council) who will support and challenge the Council to ensure delivery of the actions and improvements identified within the plan.

We have made an improvement recommendation that going forward, the Council should continue to ensure that the Children and Young People Services Policy and Scrutiny Panel are provided with appropriate and adequate oversight of the delivery of the Children’s Services Improvement Plan to provide assurance on the pace of improvement.

Improvement recommendation 5: The Council should continue to ensure that the Children and Young People Services Policy and Scrutiny Panel are provided with appropriate and adequate oversight of the delivery of the Children’s Services Improvement Plan to provide assurance on the pace of improvement.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement – contract monitoring

The Council's Procurement Strategy recognises that effective contract management can mitigate against financial risks within contracts and deliver other benefits relating to better quality services and outcomes for service users. Target outcomes include a consistent risk-based approach to contract management and embedding commercial skills and capabilities for good contract management.

Contract Standing Orders set out the contract management process, requiring a named contract manager for each contract, and proportionate contract management procedures that are appropriate for the contract. Contract managers should measure contract performance against the standards and performance indicators set out in the contract. The Contract Standing Orders require contract managers to complete a quarterly assessment to assure the Council that the contract is being managed and expected outcomes delivered.

The responsibility for contract management is devolved across services. From discussion with officers we have identified that there is no responsibility for the central oversight of contract management, to ensure that contracts across the Council are being managed in accordance with Contract Standing Orders. While the Strategic Procurement Team can provide advice to contract managers on what constitute proportionate contract management arrangements, they do not have any responsibility for contract management.

We have raised an improvement recommendation that the Council should strengthen contract monitoring by implementing arrangements to provide central oversight of contract management processes and provide assurance that contracts are being managed in accordance with Contract Standing Orders. This would provide assurance that contracts across the Council are delivering cost and performance specifications and are achieving value for money.

Improvement recommendation 6: The Council should strengthen contract monitoring by implementing arrangements to provide central oversight of contract management processes and provide assurance that contracts are being managed in accordance with Contract Standing Orders. This would provide assurance that contracts across the Council are delivering cost and performance specifications and are achieving value for money.

**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
<p>KR1 The Council should continue to take action to reduce the annual DSG deficit and seek to agree a revised Safety Valve agreement with the Department for Education that provides for a realistic trajectory to achieve financial balance for DSG.</p>	Key	Financial sustainability	<p>The Council is working with the Department for Education through the Safety Valve programme to reduce the DSG deficit.</p> <p>The latest DSG monitoring return projects increasing annual deficits each year from £9.0m in 2024/25 to £10.9m by 2027/28, before safety valve funding contributions. The cumulative deficit is forecast to rise from £13.3m as at 31 March 2024 to £43.5m as at March 2028.</p> <p>The Council has identified significant issues with delivering the agreed reductions to the annual DSG deficit as part of the Safety Valve agreement and is seeking to revise the activities and timescales within the agreed plan.</p>	<p>The growing annual and cumulative DSG deficit is a significant risk to the financial sustainability of the Council should the statutory override be removed in March 2026.</p>	<p>Actions: Develop and submit a revised Safety Valve DSG management plan for agreement with the DfE</p> <p>Responsible Officer: Anthony Webster</p> <p>Executive Lead: Claire Sheils</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 continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult Social Services and Children's Services. Actions should include:</p> <p>IR1 * Embedding and delivering the Adults and Children's transformation programmes; * Continuing to model and challenge demand and cost data to ensure budgets are based on accurate projections.</p>	Improvement	Financial sustainability	<p>The Council is experiencing significant financial pressures due to the increasing cost and demand for social care. Financial pressures within Adult Social Services and Children's Services are largely driving the forecast mitigated budget overspend of £8.5m as at Month 5 2024/25, despite significant additional resources being built into the budget for 2024/25.</p> <p>Service growth and outturn positions have produced a net £41.4m pressure for Adult Social Care and £34.8m for Children's Services within financial planning between the outturn position 2023/24 and the 2027/28 MTFP projection.</p>	<p>The Council can demonstrate that it is taking actions to manage cost and demand in Adults Social Services and Children's Services through various efficiency and transformation workstreams.</p> <p>However, these services continue to experience demand and cost pressures that are having a significant impact on the overall financial position of the Council and the budget deficits projected over the medium term.</p> <p>Managing cost and demand within these services will be crucial to delivering financial sustainability over the medium term.</p>	<p>Actions: As already identified in the Council's budget monitoring and MTFP planning, there are no additional actions identified as a result of this report.</p> <p>Responsible Officer: Melanie Watts</p> <p>Executive Lead: Amy Webb</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 continue to strengthen risk management reporting arrangements by embedding the updates to the Risk Management Strategy approved in April 2024. Consideration should be given to providing more information in the strategic risk register as follows:</p> <ul style="list-style-type: none"> * Aligning risks in the strategic risk register to corporate priorities; * Documenting further actions identified to manage residual risk, with actions allocated to named officers with target dates for implementation; * Identifying named officers as risk owners for strategic risks. 	Improvement	Governance	<p>The strategic risk register reported to the Audit Committee and Executive includes RAG rated risks based on the likelihood and impact of the risk, providing both the inherent risk rating and residual risk rating after the identified mitigating actions.</p> <p>The strategic risk register reported to Members does not map risks to corporate priorities, identify risk owners or additional actions required to further manage residual risk.</p> <p>We note that the refreshed Risk Management Strategy approved in April 2024 addresses some of these areas such as reflecting the new Council Plan and identification of risk holders and strategic risk owners.</p>	<p>Aligning strategic risks to corporate priorities is best practice to ensure that it is clear to Members and officers how strategic risks impact on the delivery of particular strategic priorities.</p> <p>The strategic risk register reported to Audit Committee and Executive would be further strengthened by documenting the additional actions identified to manage residual risk, with actions allocated to named officers, with target dates for implementation. This would provide assurance that risks are being actively managed to further reduce their potential impact on strategic priorities.</p> <p>Identifying named officers as risk owners for strategic risks within the strategic risk register would also increase accountability and ownership for the management of risk.</p>	<p>Actions: The Council updated its risk management strategy in April 2024 and is therefore not intending to update this again during the 2024/25 year.</p> <p>Responsible Officer: Emma Diakou</p> <p>Executive Lead: Amy Webb</p> <p>Due Date: N/A</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 maintain a central register of approved procurement exceptions and provide regular reports on approved exceptions to those charged with governance so that they can be assured that procurement exceptions are only approved for sound reasons and challenge where procurements have not followed approved competitive processes designed to achieve value for money.	Improvement	Governance	The Council do not maintain a central register of approved procurement exceptions and therefore there is no oversight of the total volume or value of exceptions, or whether there are themes relating to the approval of exceptions that could be challenged and addressed to reduce their volume.	It is considered best practice to provide those charged with governance regular procurement exception reports so that they can be assured that procurement exceptions are only approved for sound reasons and challenge where procurements have not followed approved competitive processes designed to achieve value for money.	Actions: Develop and report a central register of approved procurement exceptions for the newly formed Commissioning Board. Responsible Officer: Geoff Chamberlain Executive Lead: Amy Webb Due Date: March 2025
IR4 In line with best practice, the Performance and Risk Update reports to Executive should include a summary that highlights areas of strong performance, areas where performance is below target, and mitigating actions being taken to improve poor performance.	Improvement	Improving economy, efficiency and effectiveness	The Performance and Risk Update reports to Executive are comprehensive and provide a range of detailed performance information. The covering report does not however provide a summary that highlights areas of strong performance and areas where performance is below target along with the mitigating actions being taken to improve poor performance.	Providing a summary of key performance issues would help readers of the report gain an overview of where performance needs to improve, and the actions being taken to do so.	Actions: Officers consider the information provided within published reports to be sufficiently informative whilst avoiding lengthy or repetitious reporting, so no action will be taken as a result of this report. Responsible Officer: Emma Diakou Executive Lead: Amy Webb Due Date: N/A

* 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
IR5 The Council should continue to ensure that the Children and Young People Services Policy and Scrutiny Panel are provided with appropriate and adequate oversight of the delivery of the Children's Services Improvement Plan to provide assurance on the pace of improvement.	Improvement	Improving economy, efficiency and effectiveness	<p>The Ofsted action plan was submitted to Ofsted in August 2023 and the June 2023 Children and Young People Services Policy and Scrutiny Panel received the Ofsted Inspection Update Report setting out the outcome of the March 2023 inspection and the identified areas for improvement. Scrutiny Panel has not received regular reports updating Members on the progress delivering the Ofsted action plan.</p> <p>The Ofsted action plan has been merged with the Children's Services delivery plan to create one overall plan to deliver improvement in Children's Services.</p>	The Children and Young People Services Policy and Scrutiny Panel should be provided with appropriate and adequate oversight of the delivery of the Children's Services Improvement Plan to provide assurance on the pace of improvement.	<p>Actions: Performance reporting is already happening, so no actions will be taken as a result of this report.</p> <p>Responsible Officer: Jane Anstis</p> <p>Executive Lead: Claire Sheils</p> <p>Due Date: N/A</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
IR6 The Council should strengthen contract monitoring by implementing arrangements to provide central oversight of contract management processes and provide assurance that contracts are being managed in accordance with Contract Standing Orders. This would provide assurance that contracts across the Council are delivering cost and performance specifications and are achieving value for money.	Improvement	Improving economy, efficiency and effectiveness	The responsibility for contract management is devolved across services. There is no responsibility for the central oversight of contract management. While the Strategic Procurement Team can provide advice to contract managers on what constitute proportionate contract management arrangements, they do not have any responsibility for contract management.	Arrangements to provide central oversight of contract management processes would provide assurance that contracts across the Council are being managed in accordance with Contract Standing Orders, are delivering cost and performance specifications, and are achieving value for money.	<p>Actions: We do not currently have the resources in place to deliver this improvement, but will consider it as part of our Procurement Strategy for 2025 onwards.</p> <p>Responsible Officer: Geoff Chamberlain</p> <p>Executive Lead: Amy Webb</p> <p>Due Date: March 2026</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.

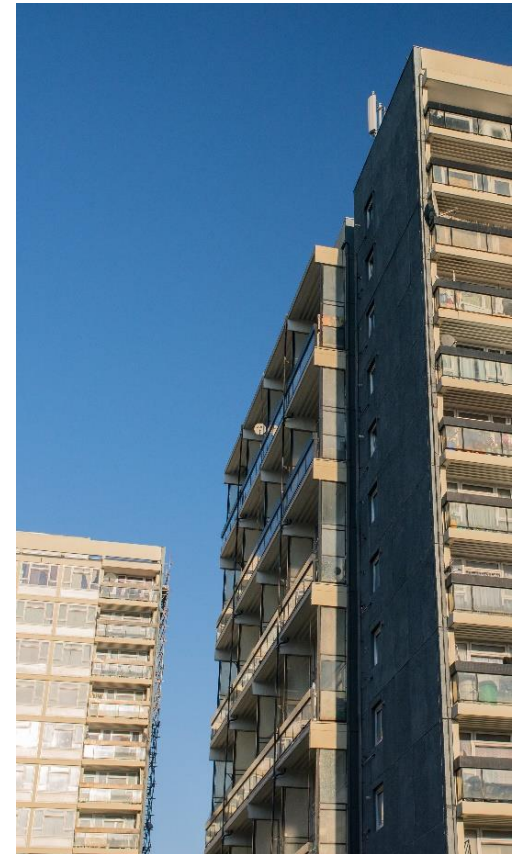
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within particular Council Plan outcomes. The Council should continue to closely monitor delivery of the capital programme to highlight any slippage and provide an update for management actions to address the under delivery.	Improvement	November 2023	<p>The capital programme supports the delivery of strategic priorities. Council approved the Capital Strategy 2024-28 in February 2024 with additional schemes approved relating to schools, highways and corporate asset management. The report demonstrates how the Council use their resources to support children and young people, tackle the climate emergency and invest in communities and infrastructure. Six major schemes relating to infrastructure and schools account for 69% of the capital programme.</p> <p>The Council delivered 70% of the planned capital programme in 23/24, increasing to 86% once commitments are taken account of. The capital outturn report recognises that this is an improvement on delivery compared to previous years and reflects continued improvements in project management governance. Capital scheme outturn reporting is detailed on a scheme-by-scheme basis and clearly identifies current and future year budget, actual spend and order commitments. The outturn report provides a narrative of reasons for capital slippage.</p>	Yes	No

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

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
2 The Council should continue the on-going oversight of the action plan undertaken by the Children and Young People's Services Policy and Scrutiny Panel and subsequently to the Council Executive Committee.	Improvement	November 2023	<p>The Ofsted action plan was submitted to Ofsted in August 2023 and the June 2023 Children and Young People Services Policy and Scrutiny Panel received the Ofsted Inspection Update Report setting out the outcome of the March 2023 inspection and the identified areas for improvement. Scrutiny Panel has not received regular reports updating Members on the progress delivering the Ofsted action plan.</p> <p>The Ofsted action plan has been merged with the Children's Services delivery plan to create one overall plan to deliver improvement in Children's Services.</p>	Yes	<p>Further improvement recommendation raised:</p> <p>The Council should ensure that the Children and Young People Services Policy and Scrutiny Panel are provided with appropriate and adequate oversight of the delivery of the Children's Services Improvement Plan to provide assurance on the pace of improvement</p>

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

