

Interim Auditor's Annual Report on East Staffordshire Borough Council

2022/23

25 January 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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Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified.	A No significant weaknesses in arrangements but three new improvement recommendations identified. One prior year recommendation is ongoing.	A No significant weaknesses in arrangements, but two improvement recommendations identified.	↔
Governance	No risks of significant weakness identified.	A No significant weaknesses in arrangements and no improvement recommendations identified. Two prior year recommendations are ongoing.	A No significant weaknesses in arrangements, but two improvement recommendations identified.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	G No significant weaknesses in arrangements and no improvement recommendations identified.	G No significant weaknesses in arrangements and no improvement recommendations identified.	↔

G No significant weaknesses in arrangements identified or improvement recommendation made.

A No significant weaknesses in arrangements identified, but improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The Council is in a sound financial position, which has been underpinned by prudent assumptions, but is reliant on the use of reserves totalling £2.0m to balance its budget over the medium-term. Without action, reserves allocated to this purpose could effectively be exhausted by 2025/26. Whilst the Council has an annual Star Chamber process in place, which seeks to ensure that Council resources continue to be aligned to the overall corporate priorities and allows the identification of savings, given the medium term position the Council needs to identify further savings and income opportunities to balance the budget, without the use of reserves, in the longer term. This is an area where improvement could be made to ensure that the Council remains financially resilient.

Despite efforts to recruit staff, gaps existed in the finance team in 2022/23. We understand an Accountant has been recently promoted into the Principal Accountant role and a trainee has been promoted to Accountant. There remains a gap at trainee level but that should be easier to recruit into. Senior officers need to continue to work on this to ensure a permanent team, with appropriate skills and experience, remains in place. In early 2023/24, the Chief Financial Officer resigned but this post has been filled with an interim and a permanent appointment recruited and starting in early 2024.



Governance

Risk management arrangements are reasonable and effective. However, there is room for improvement when it comes to risk reporting and we recommended that the Council takes steps to strengthen this area in the previous year. While our recommendation was not addressed by the end of 2022/23, we note that the risk register reported to Cabinet in October 2023 includes the recommended enhancements. For each risk a risk owner, link to corporate objective, scoring changes, direction of travel and actions.

The Council's Internal Audit provision is comprehensive and robust. The Council has established sound arrangements to ensure that decisions are made with full information and appropriate standards and behaviours are adhered to.

As a result, we are confident that the Council is able to maintain a strong system of risk management, governance and internal control.



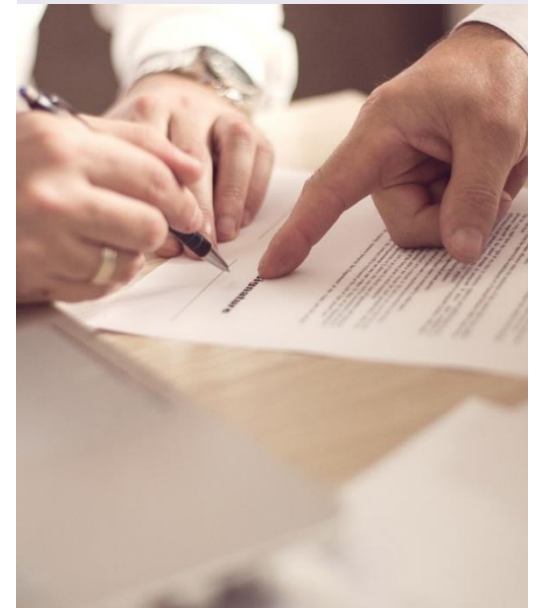
Improving economy, efficiency and effectiveness

The Council has robust arrangements in place to monitor performance and identify areas for improvement. Performance reporting is regular and comprehensive. The Council has open and transparent relationships with key partners. While the leisure contract is performing well, challenges persist with the grounds maintenance contract and the Council is working to improve performance and is considering bringing the service in-house.



Financial Statements opinion

To be updated on completion of the opinion audit.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

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

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

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 24.

The current LG landscape



National context

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

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

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

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

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

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

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

The current LG landscape (continued)



Local context

East Staffordshire is located on the edge of the West Midlands boundary, adjacent to the East Midlands and has significant social and economic links with both. The Borough's position within the Midlands and proximity to the A38 and A50, are contributing factors to several well-known brands locating within the Borough resulting in growth in the distribution, warehousing, hotels and restaurants sector.

The Borough has two main towns - Burton upon Trent and Uttoxeter. It covers a geographical area of 150.6 square miles, with a population of around 120,000, nearly 95% of whom are White.

As the Borough elections in May 2023 resulted in a change in administration, with the Labour party gaining a majority, the Council's Corporate Plan has been revised to deliver the new objectives incorporated from the winning Labour group manifesto. The updated Corporate Plan, adopted at Council in July, introduces five new corporate priorities and sets targets for remainder of the 2023/24 financial year aimed at delivering these:

- Improving Local Democracy
- Creating a prosperous East Staffordshire
- Developing a Green New Deal for East Staffordshire
- Protecting our heritage
- Standing up for our communities

Financial sustainability



We considered how the Council:

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

Short and medium term financial planning

The Council is in a sound financial position in the short term but plans to use £1.8m of reserves to support the budget in 2025/26. Financial planning reports are clear and comprehensive and use prudent assumptions.

2023/24 financial planning

The Medium-Term Financial Strategy (MTFS) 2023/24 to 2025/26 report, presented to Cabinet in February 2023, included key messages from the national financial settlement and the impact on the Council. Assumptions around council tax base and business rates growth are appropriate. For example, forecast growth in the council tax base uses the expected land supply from planning policy, which is checked for reasonableness against recent housing growth. The anticipated growth is scaled back in the earlier years to reflect the current economic conditions.

The assumptions on interest rates and the impact on investment income have proven to be prudent. Interest rates have remained favourable and the Quarter One 2023/24 finance report shows additional interest of £0.787m forecast for the year, resulting in a net underspend across the budget of £0.5m.

The table below, taken from the MTFS presented in February 2023, shows the forecast key financial metrics for the Council.

	2023/24	2024/25	2025/26
Planned budget	£15.6m	£15.8m	£16.7m
Forecast Council Tax	£7.7m	£8.1m	£8.5m
Forecast Business Rates	£5.3m	£5.5m	£5.0m
Forecast use of reserves	£0	£0.151m	£1.8m
Forecast Council Tax increase	2.98%	2.98%	2.98%

Financial sustainability (continued)

Short and medium-term financial planning (continued)

Financing Climate Change

The Council has an aim of being carbon neutral by 2040 and has several plans in place to support this. The current MTFS does not cost these schemes, with a "Climate Change and Nature Strategy" report to November 2022 Cabinet stating "The actions within the Climate Change and Nature Action Plan still need to be costed and in some cases the funding identified and secured. Going forward, each action will be costed on a case-by-case basis and affordability will be considered as part of the annual review of the Medium-Term Financial Strategy or funded using existing budgets, in accordance with financial regulations."



Carbon reduction

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

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

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



Financial sustainability (continued)

Identifying savings

The Council does not have a formal income generation or savings strategy to allow it to balance the budget, without the use of reserves, in the longer term. This is a risk to the Council's financial sustainability given the limited growth forecasted in central government funding. For example, early work on the MTFs to be presented in February 2024 shows that the 2024/25 deficit could be £0.6m worse than currently planned. The forecast deficit for 2025/26 is £2.2m. At this point, the remaining reserves allocated to balance the budget would be almost nil. The Council therefore needs to develop plans to balance the budget and we have made an improvement recommendation.

As noted on the previous page, the MTFs clearly sets out projected financial gaps and how these will be managed. The 2023/24 budget is balanced without the need to use reserves. For 2024/25 to 2025/26 the budget has provisionally been balanced with the use of the New Homes Bonus Reserve of £0.151m in 2024/25 and £1.8m in 2025/26.

The Council has an annual Star Chamber process in place, which seeks to ensure that Council resources continue to be aligned to the overall corporate priorities and allows the identification of savings. Identified savings are removed from the budget and are therefore not reported on separately. The MTFs explains that the Council is waiting for more certainty around future funding streams before finalising the level of savings or additional income needed.

In addition to identifying savings there is scope to significantly increase income - including through the introduction of charges for collecting green waste - a service that the Council currently provides free of charge. The Council estimates that, even with entry level charges, this could generate around £0.7m a year. Our understanding from other councils is that demand for the service usually exceeds expectations and a significant net revenue stream is created. This is something the Council needs to consider carefully to safeguard finances in the longer term, and we have made an improvement recommendation to explore options on the next page.

The Council's performance against key financial and performance metrics is set out in the table below.

	2022/23	2021/22
Planned revenue expenditure	£13.1m	£13.4m
Actual revenue expenditure	£12.6m	£11.9m
Planned capital spend	£9.2m	£9.6m
Actual capital spend	£2.4m	£5.0m
Year-end cash position	£30.2m	£14.4m

Financial sustainability (continued)

Identifying savings (continued)

Whilst the Council identifies further savings and income opportunities it intends to use the New Homes Bonus Reserve to balance the annual budget. Over the period of the MTFS to 2025/26, the forecast is that around £2m will be needed. At 31 March 2022, the balance on the reserve was £5.4m, which means that there will be around £3.4m remaining after 31 March 2026.

While recognising the ongoing uncertainty around government funding, inflation, interest rates and other key factors, as well as the comparatively healthy level of reserves which have been set aside to balance the annual budget, the Council needs to identify further savings and income opportunities, delivery of which is then reported. This would allow time for schemes to be fully developed for when they are needed. This is illustrated by the work the Council has undertaken on the MTFS for February 2024. Early figures show that the 2024/25 shortfall is estimated to be £0.784m, compared to the exiting MTFS forecast of £0.181m. The deficit for 2025/26 is £2.2m. On a net revenue budget of £16-17m this is a relatively high percentage. There may be additional costs as the new Labour administration seeks, naturally, to implement its manifesto. This is an area for improvement and we have made a recommendation as below. This broadens our recommendation made in December 2021 and June 2023 *“The Council should consider whether a specific savings plan is required for the next update of the Medium Term Financial Strategy.”*

Whilst the Council does not have a formal savings strategy, the detailed budget report shows that where reductions in the budget can be made these are actioned and an explanation included in the budget setting report.

The Council needs to identify further savings and income opportunities to allow it to balance the budget, without the use of reserves, in the longer term. There are potentially significant forms of income that other councils are benefitting from, including charging for the collection of garden waste.

Financial planning and strategic priorities

The Council consults with residents to identify the most and least valued services. There is scope to make it clearer how investments in the revenue budget support the achievement of the Council’s corporate objectives.

The Council understands the cost of core statutory and discretionary services and has consulted with residents over which they value most and least. Where possible the budget is then aligned accordingly.

Strategic priorities

The Council has a detailed Corporate Plan which sets out that there are three overarching corporate objectives:

- Community Regeneration
- Environment and Health and Wellbeing
- Value for Money

The detailed plan sets out objectives for each service area and shows the revenue budget for each of the three corporate objectives. The MTFS reported in February 2023 states *“Revenue budget growth includes key areas of investment to improve and expand service delivery to residents directly linked to Corporate Priorities, but also include unavoidable items such as changes in assumptions to pay and inflation.”* These are set out in a table and total £3.6m. Whilst unavoidable costs can also contribute to the achievement of objectives and priorities the table does not distinguish between areas the Council is voluntarily investing in to deliver corporate priorities or address residents’ feedback and unavoidable cost pressures. Making this link clearer would enhance the report and better evidence how the annual budget supports delivery of corporate objectives and residents’ priorities. This is an area for improvement and we have made a recommendation as below.

The Council should enhance the Medium-Term Financial Strategy and budget setting by making it clear how investments in services support the achievement of Council objectives and reflect feedback from consultation

Financial sustainability (continued)

Financial planning and strategic priorities (continued)

Capital programme

The Council's capital programme clearly supports the corporate plan. This includes the Towns Fund Programme of £27.8m, the Uttoxeter Master Plan of £1.8m and Uttoxeter Sports Hub of £1.7m. Regeneration and leisure services are a priority for residents. The Corporate Plan itself then shows the relevant capital projects for each of the three corporate objectives.

The MTFS presented to Cabinet in February 2023 includes the capital programme with the Towns Fund projects profiled over four years, showing the expenditure in each year. For the other projects, only Disabled Facilities Grant (DFG) is shown over a number of years, and this is the same amount each year (£1.16m) which is the Council's anticipated grant funding. The total capital programme shown is only £1.7m. However, the Quarter One report shows a capital programme of £7.1m, including £3.1m for DFG and £1.9m for Washlands. The capital programme does not accurately reflect the year in which expenditure is expected to be incurred. This is an area for improvement and we have made a recommendation below.

The Council reports on the capital position each quarter. The outturn report states "*The carry forward sums totalling £6.7m relates to projects that are ongoing or taking place over several years, such as the award of grant funding for disabled facilities (£1.9m), the enhancements at the Washlands (£2.8m) and the Local Authority Housing Fund (£1m).*" The report shows that the Council also has a capital programme of £27.8m in relation to the Towns Fund Programme. Capital programme reports show that the budget for 2022/23 relating to these projects was £27.6m. However, only £5.7m was spent, and this was all on the "High Street Linkages" project. Therefore £22m is carried forward to future years. Whilst there is no evidence of capital projects being postponed or cancelled without a sound rationale, as noted above in respect of the non Towns Fund projects, the Council needs to ensure that capital expenditure is more accurately profiled.

Reporting on the capital programme does not indicate whether projects are on track and within budget. If they are not, any corrective action should also be reported. This is an area for improvement, which we have combined with our recommendation regarding the accuracy of forecasting above.

The Council needs to ensure that the capital programme accurately reflects the timing of likely expenditure. This is particularly important where projects run over a number of years.

The Council should enhance capital reporting to Members by including an assessment of whether each project is on track for delivery and within budget. Where this is not the case any corrective actions should be set out.

Financial sustainability (continued)

Financial planning and other operational plans

The Council's MTFS is consistent with other plans such as workforce and treasury management.

Workforce

In the adjacent text box we set out some of the workforce related challenges facing many local authorities. The Council has reasonable arrangements in place to ensure that, overall, it is doing what it can to ensure it has an appropriate workforce. The "Workforce Planning Strategy 2022-2025" requires managers to look at their current workforce and anticipate any notable changes in various aspects such as service demand or delivery, funding, legislation. The Council then ensures that there is an appropriate training budget to support and develop staff, and any recruitment needs are identified.

Treasury management

The Council's Treasury Management Strategy clearly sets out the role that treasury management plays in ensuring an adequate flow of cash, investing any surplus money and funding the capital programme. The 2023/24 budget includes investment income from treasury management activity of £1.47m.

Managing risks to financial resilience

The Council has sound arrangements in place to identify and report risks to its financial plans. The Council holds reserves to address any risks, should they materialise. However, as noted on page 11, over the MTFS the reserves which could be used to balance the budget will be virtually exhausted.

Reports to Members clearly set the risks around financial planning, particularly the key risks and uncertainties - mainly around business rates retention, local council tax support and core spending through the annual settlements. Key risks the Council has identified include Supported Housing, Formula Central Government Funding, Interest Rate Movements, Capital Plans / Regeneration Aspirations, Economy, Business Rate Retention Scheme, Waste Management / Recycling and Income Generation. In regard to income generation, reports to Members set out the impact for each major stream of a 5% reduction in income.

Risk is managed through reserves where necessary. A reserves forecast to February 2023 Cabinet showed the General Fund Reserve balance remaining stable at £1.278m, but overall reserves decreasing from £22.6m at 31 March 2023 to £12.0m at 31 March 2026. We have made an improvement recommendation on page 12 that it needs to develop income generation or savings schemes for the longer term.



Workforce

Local government faces multiple workforce challenges including skill shortage in areas like social work and planning and the lessening attractiveness of local government as a career choice when staff can be paid more for less stressful work in other sectors.

The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is therefore clear.

To achieve this aim, councils need to develop a workforce plan or strategy which not only sets out aims and aspirations but also a roadmap with numerical targets against which outcomes can be measured and assessed

The workforce strategy needs to be clearly linked with strategic objectives and financial planning. Without a corporate workforce plan, Councils cannot take a strategic view of how the needs of the council in terms of human resources will develop over the medium term and appropriate development through training and recruitment may not be undertaken

Financial governance

Annual budget setting

The Council has appropriate arrangements in place around budget setting, which include both internal and external engagement.

The Council has undertaken a survey of residents to get their views on budget proposals. These are then factored into the budget, as appropriate. The key messages from residents included protecting services even if council tax or fees increase; priority areas were waste collection, park / open spaces, CCTV, street cleaning and Town Centre Regeneration. Residents also wanted garden waste, leisure, CCTV and outdoor markets protected.

We have made an improvement recommendation on page 12 that the budget report could be more explicit on how feedback has been incorporated.

Budget holders, senior officers and leading Members are appropriately involved in the budget setting process.

Budgetary control

The Council has appropriate arrangements in place around budgetary control. Work is ongoing to address the capacity issues within the finance team. An interim Chief Financial Officer has been appointed, with a permanent appointment recruited and starting in the new year. We understand an Accountant has been recently promoted into the Principal Accountant role and a trainee has been promoted to Accountant. This means there is a gap at trainee level which should be easier to recruit into. For 2022/23, this continued to be an area for improvement.

Quarterly finance reports include appropriate information on Treasury Management activity, including investment returns, the level of investments, borrowing and maturity profiles and the financial contribution made.

Reports in 2022/23 have consistently shown a forecast underspend. Whilst this varied slightly throughout the year (from £0.549m at Quarter One to £0.224m at Quarter Three) these movements are reasonable on revised budget of £13.1m. The final outturn was an underspend of £0.564m. The reports provide an appropriate level of detail to explain the causes of main variances to budget, including activity levels where relevant.

Over the last few years, the capacity in the finance team has reduced, due to staff reducing their hours or leaving, and the Council has struggled to recruit into vacant posts either permanently or on a temporary basis. More recently, senior members of the finance team have or are leaving. The Chief Executive has worked hard to fill vacant posts and recognises the importance of having appropriately skilled people in post and a properly resourced finance team. While the Council is doing everything it can, gaps remain and the new team will take time to bed in. In June 2023 we made a recommendation *“The Council has appointed two temporary accountants to assist with the preparation and audit of the 2022/23 financial statements, but we recommend these vacancies within the finance team are filled on a permanent basis as soon as possible.”* Whilst recognising the recent promotions within the finance team, for 2022/23 this remains an area for improvement.

Improvement recommendations

Improvement Recommendation 1

The Council needs to identify further savings and income opportunities to allow it to balance the budget, without the use of reserves, in the longer term. There are potentially significant forms of income that other councils are benefitting from, including charging for the collection of garden waste.

Improvement opportunity identified

Many local authorities are facing the same challenges as East Staffordshire in balancing annual budgets. All local authorities are affected by the same uncertainties. We have seen other local authorities addressing these challenges by identifying additional sources of income as well as savings opportunities.

Summary findings

Whilst the Council has reserves which it can use to balance the budget in the medium term it needs to begin work to develop income generation and savings streams to ensure longer term financial sustainability.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant. We have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council recognises that it needs to develop further savings and income opportunities, which would allow schemes to be developed and implemented as needed, whilst the council awaits further certainty around the level of government funding that will be available in future years. The recent Star Chamber process used to inform the 2024/25 budget process and the update of the MTFS, has identified a number of further opportunities that are currently being considered and taken forward, and the Council will continue to identify further opportunities to ensure that it can deliver a balanced budget without the use of reserves over the longer term.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

The Council should enhance the Medium-Term Financial Strategy and budget setting by making it clear how investments in services support the achievement of Council objectives and reflect feedback from consultation.


Improvement opportunity identified

Clearly demonstrating how investments in the annual budget support both Council and residents' priorities makes it easier for those people who engage in consultation to see that their voice is listened to.

Summary findings

The Council has clear strategic priorities and understands residents' priorities in terms of service provision. The link between these and the annual budget could be clearer.

Criteria impacted

 Financial sustainability

Auditor judgement


Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council's Corporate objectives have been informed by the administrations 2023 election commitments, and the identification of investment areas within the updated MTFS has therefore been directed to the delivery of those commitments. Further public consultation is then normally undertaken at the mid-point of the administrations term to inform any required updates to those corporate objectives at that point. Linked to this a further development to the MTFS will be considered to seek provide greater transparency by reporting for each investment item the specific corporate plan objective to which it relates.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3	The Council needs to ensure that the capital programme accurately reflects the timing of likely expenditure. This is particularly important where projects run over a number of years.
Improvement opportunity identified	The Council should enhance capital reporting to Members by including an assessment of whether each project is on track for delivery and within budget. Where this is not the case any corrective actions should be set out.
Summary findings	The Council reports on the capital programme each quarter, but there is scope to enhance this to provide Members with more detail on delivery and cost.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Given the capacity issues within the finance team that have been noted within the report, the Council recognises the improvements that can be made to its capital reporting, and will seek to implement these recommendations during 2024/25.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

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

Risk management and internal controls

The Council has reasonable arrangements in place to support effective risk management but needs to implement our previous recommendation to further strengthen reporting. Internal Audit is effective and provides a comprehensive range of reviews on the Council's system of internal control.

Risk management

The Council has appropriate arrangements in place to identify and record risks. The Risk Management Policy was reviewed and updated in September 2023 and provides clear parameters and guidance for risk scoring. Risks are identified and discussed throughout the Council - from service level to the Corporate Management Team.

The Council's arrangements for reporting risks are sufficient, reported to both the Cabinet and Audit Committee and therefore gives assurance that risks are being identified and appropriately managed. The 2022/23 outturn report included 30 risks. Whilst these are risks the Council considers strategic, this number of risks is at the top of end of what we would expect to see reported. Should the number increase further we would suggest Officers review whether some of the lower scoring risks need to be reported to Members.

In our June 2023 report we made a recommendation "The Council has taken positive steps to improve risk reporting, but we recommend that further enhancements such as using a risk-consequence-cause approach to defining risks, ensuring that action and risk treatments are SMART (specific, measurable, achievable, realistic and timely) and showing the direction of travel for each risk, would be beneficial." As this recommendation was not made until 2023/24 the Council has not been able to address it and it is carried forward. However, the risk register reported to Cabinet in October 2023 includes for each risk the risk owner, link to corporate objective, scoring changes, direction of travel and actions. For 2022/23 this remained an area for improvement.

Internal audit and internal controls

In 2022/23, the Council's Internal Audit service was provided by CW Internal Audit Services. Internal Audit presented quarterly progress reports against the annual audit plan to the Audit Committee alongside performance against the plan. All the 18 planned reviews were completed, provided sufficient assurance for the Head of Internal Audit to conclude "My overall opinion is that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk".

The Council has appropriate policies in place in respect of the prevention and detection of fraud. This includes an Anti-Fraud and Corruption Strategy, a Whistleblowing Policy and Codes of Conduct for Members and Officers. We note that the 2023/24 Internal Audit Plan includes a review of "Anti-Fraud & Corruption".

Governance (continued)

Informed decision making including the Audit Committee

The Council has appropriate arrangements in place to ensure information is provided to decision makers.

The Council operates a Cabinet model of governance, where executive decisions are taken by Cabinet and supported by other specific committees. The Council publishes a forward plan which contains a list of important decisions due to be taken in the next four months and includes relevant background information about them. The considerations on all papers presented to Cabinet include financial implications, legal implications, risks, and other considerations such as equalities and health, human rights, and sustainability.

For example, the Cemetery expansion report to August 2022 Cabinet sets out a summary of the scheme and challenges encountered. Three options are set out, with a clear recommendation. The site has undergone extensive testing on ground suitability for burial and the detailed report, from external consultants is provided. Based on that report the additional cost is estimated to be in excess of £0.175m. The revenue and capital costs are set out. The minutes show that the proposal was unanimously agreed.

In our prior year report we made an improvement recommendation that “Scrutiny committee chairs, supported by Members, develop a work programme for each scrutiny committee at the start of each municipal year.” Review of the minutes of the first scrutiny committee meetings in the new municipal year (July 2023) shows that there was a discussion between Members on potential areas to review, with more work to be done to develop a formal programme. Whilst the work programme is still work in progress we consider that scrutiny arrangements have been further strengthened and our recommendation has therefore been addressed.

There is no evidence of unlawful decision making identified in the year. The Monitoring Officer’s report to the Standards Committee confirms this.

The Council has an effective Audit Committee which is well attended and engaged with officers in healthy debates. The Committee is also provided with an annual training to support its effectiveness.

Standards and behaviours

The Council has appropriate arrangements in place to monitor compliance with expected standards.

The Council’s codes of conduct for both Members and Officers clearly set out expectations and procedures for declaring interests. Member’s registers of interests are published under each Member’s profile on the Council’s website while those for Officers is kept by the Monitoring Officer.

Our review of the Monitoring Officer’s annual report and the Annual Governance Statement did not highlight any cases of significant non compliance with the Council’s constitution.

The constitution includes codes and protocols and behaviours expected of Members and senior officers. The Local Government Association Peer report also noted a strong corporate leadership and good relationships being in place, which is supported by our own observations.

The Council’s performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	”significant assurance”	”significant assurance”

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Use of financial and performance information

The Council has robust arrangements in place to enable monitoring of performance and identify areas for improvement.

Performance reporting

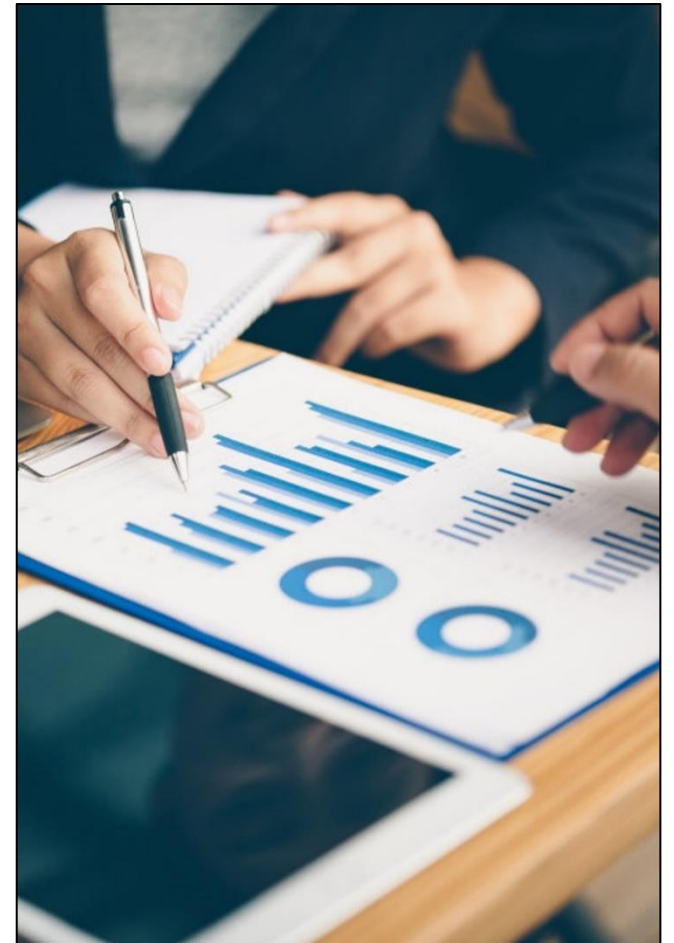
Cabinet is provided with quarterly reports with a summary against 129 Key Performance Indicators (KPIs) across the three corporate priorities. Each target has been graded using a Red, Amber or Green scoring system to reflect the progress towards achieving that target. Where performance is off-track more information is provided, including any remedial action. The year-end report shows that of the 129 KPIs, one was rated amber and seven red. The remaining KPIs were all rated green.

Outsourced services

The leisure contract provider is compliant with the service specification, with some areas for review identified. The grounds maintenance contract however continues to underperform. The Council is aware of this, and has had discussion with the contractor, including Members, to try to improve the service, but problems remain and the new Labour administration manifesto includes a pledge to review whether this should be brought in house.

Accuracy of information reported

The Council obtains assurance over the accuracy of financial information being reported to Cabinet through the work of Internal Audit in their "*Financial Management and Reporting*" review which achieved "Full" assurance. Before being presented to Cabinet, performance reports are reviewed by the Corporate Management Team, Pre-Cabinet and the Leader / Leader of the Opposition Advisory Group. These additional reviews provide assurance over the accuracy of the information. Reports are also signed off by relevant Heads of Service.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Learning from others (continued)

The Council has appropriate arrangements in place to benchmark performance across key service areas using data supplied by other councils identified through the CIPFA "Near Neighbour" model and LG Inform national data through a subscription.

As a lower tier authority, the Council is not subject to service inspections. It does however learn from peer reviews. For example, the Council took timely and appropriate action to address the improvements areas identified by the Local Government Association (LGA) peer review team.

Assessing performance and identifying improvement

The Council has appropriate arrangements in place to evaluate the services it provides to assess performance and identify areas for improvement.

Performance reports demonstrate that the Council is not failing to achieve appropriate standards in core services and that it seeks to improve where possible.

The Council Corporate Plan is refreshed each year to ensure that priorities remain appropriate. The May 2023 local elections saw a change in political control of the Council. This resulted in an updated Corporate Plan for 2023/24 being published in July 2023. The revised plan clearly demonstrates that the Council continues to ensure that activities add appropriate value and contribute to realising the overarching priorities.

The Council responds positively to recommendations made, including those by internal audit and the LGA Peer Review team.

Partnership working

The Council has appropriate arrangements in place to ensure it delivers its role within significant partnerships and engages with stakeholders it has identified, to assess whether it is meeting its objectives.

The Council has appropriate arrangements in place to oversee the work of partnerships. For example, quarterly performance reports to Cabinet include a section on the performance of the leisure services provider, EveryOne Active. In 2022/23, performance was measured against 78 Key Performance Indicators, linked to the Council's desired outcomes, of which only one was assessed as "Amber" and two "Red" at year end, with 75 "Green".



Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

The leisure contractor has performed well in 2022/23 but continues to face financial challenges following on from the Covid-19 pandemic and increases in energy prices. The Council and contractor continue to have an "open book" approach to finances to provide transparency and support as appropriate.

Commissioning and procurement

The Council has appropriate arrangements in place when it commissions and procures services, with up-to-date policies and procedures. It seeks to develop open and trusting relationships with partners.

The Council's Procurement Policy was reviewed and updated in October 2022. It supports one of the Council Corporate Objectives - to be a value for money council. The Council has appropriate procurement and contract procedures in place, and these were updated in October 2022. The Contract Register, available on the Council website, appears to be complete and has appropriate and sufficient information to be transparent and to demonstrate that appropriate arrangements are in place.



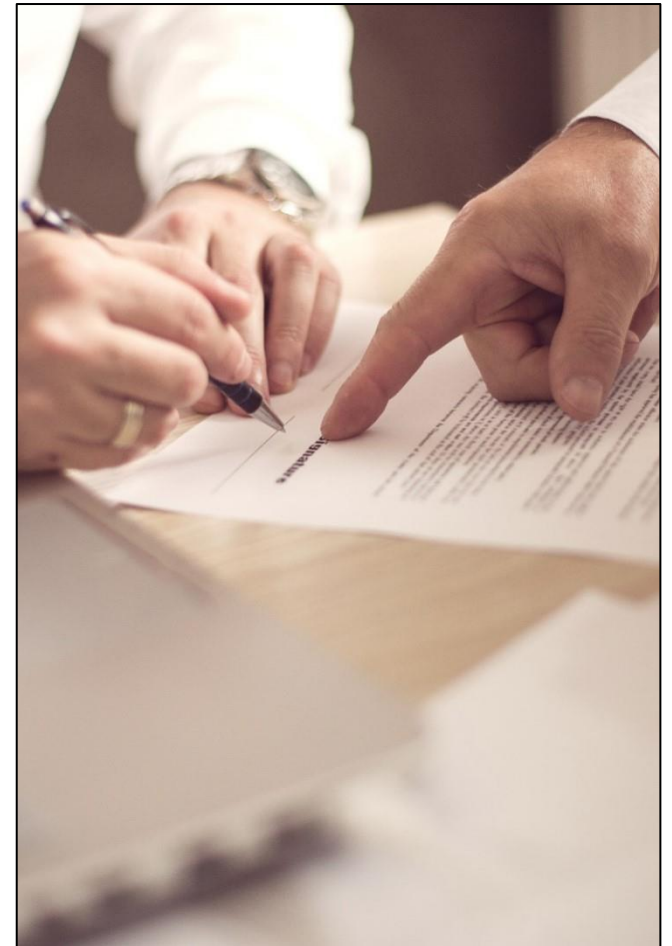
Procurement

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

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

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

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



Improving economy, efficiency and effectiveness (continued)



Council Procurement

The Council has a Procurement Policy 2020-23 which sets out the contract management and performance regime within the Council. The policy is reviewed annually and was last reviewed in October 2022.

The Council also has in place, contract procedures rules, issued in accordance with Section 135 of the 1972 Local Government Act which are intended to promote good purchasing practice and public accountability and deter corruption. They are in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) /Local Government Task Force Contract Procedure Rules published in 2006.

The procedures set out the following as the basic principles of all purchases and disposals:

- achieve Best Value for public money spent
- be consistent with the highest standards of integrity
- ensure fairness in allocating public contracts
- comply with all legal requirements
- ensure that non-commercial considerations do not influence any contracting decision
- support the council's corporate and departmental aims and policies
- comply with the Council's corporate Procurement Strategy.

Commissioning and procurement (continued)

Capital

The Council reports on the capital position each quarter. The Council's core Capital Programme for 2022/23 totalled £9.2m, of which £4.7m related to projects carried forward from 2021/22 and additional projects that were approved during the year. Spending on capital projects during 2022/23 amounted to £2.4m, resulting in £6.8m remaining of programmed expenditure being carried forward.

While some of the carry forward will be because of natural delays in capital projects, as we report on page 13, there is a large element which is carried forward as it is not phased accurately where projects cover multiple years.

The Council also has a capital programme of £27.8m in relation to the Towns Fund Programme, of which £22m is carried forward to future years. £20.2m of the funding relates to "High Street Linkages", with £5.7m being spent in 2022/23, leaving a balance of £14.5m carried forward. This is the only project with any expenditure in 2022/23.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council has appointed two temporary accountants to assist with the preparation and audit of the 2022/23 financial statements, but we recommend these vacancies within the finance team are filled on a permanent basis as soon as possible.	Improvement	June 2023	Over the last few years, the capacity in the finance team has reduced, due to staff reducing their hours/leaving, and the Council has struggled to recruit into vacant posts either permanently or on a temporary basis. An interim Chief Financial Officer has been appointed, with a permanent appointment recruited and starting in the new year. We understand an Accountant has been recently promoted into the Principal Accountant role and a trainee has been promoted to Accountant. This means there is a gap at trainee level which should be easier to recruit into. This remains an area for improvement for 2022/23.	In progress	See page 15.
2 The Council should consider whether a specific savings plan is required for the next update of the Medium-Term Financial Strategy.	Improvement	June 2023	The MTFs presented to Cabinet in February 2023 covers the period 2023 - 2026 and states that the Council is waiting for more certainty around future funding streams before developing a formal savings strategy. We have broadened our recommendation to include potential income growth.	No	Implement the revised recommendation. See page 12.
3 The Council has taken positive steps to improve risk reporting, but we recommend that further enhancements such as using a risk-consequence-cause approach to defining risks, ensuring that action and risk treatments are SMART (specific, measurable, achievable, realistic and timely) and showing the direction of travel for each risk, would be beneficial.	Improvement	June 2023	Our review of the strategic risk register presented to Cabinet on 26 June 2023 indicates that further enhancements as suggested in our recommendation have not been implemented. The risk register reported to Cabinet in October 2023 includes for each risk a risk owner, link to corporate objective, scoring changes, direction of travel and actions. For 2022/23 this remained an area for improvement.	Yes	Implemented in October 2023. See page 19.
4 We recommend that scrutiny committee chairs, supported by members, develop a work programme for each scrutiny committee at the start of each municipal year.	Improvement	June 2023	Review of the minutes of the first scrutiny committee meetings in the new municipal year (July 2023) shows that there was a discussion between Members on potential areas to review, with more work to be done to develop a formal programme.	In progress	Yes. Agree formal work programmes. See page 20.

Appendices

Appendix A: Responsibilities of the Council

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

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

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

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

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the

Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	16, 17 & 18

