

Interim Annual Auditor's Report on Plymouth City Council

DRAFT

2022/23

February 2024

Consultation Draft



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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 [type of body] 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 [type of body]'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 recommendations

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. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Audit Plan Risk assessment	2022/23 Auditor Judgement	2021/22 Auditor Judgement	Direction of travel
Financial sustainability	Risk of significant weakness identified due to: <ul style="list-style-type: none"> reliance on reserves to balance recent budget, savings required in the medium term. 	<ul style="list-style-type: none"> Significant weakness as the Council has a high number of financial stress indicators. One key recommendation made. Three improvement recommendation made. 	<ul style="list-style-type: none"> Significant weakness in arrangements for financial sustainability. Three key recommendations made; Four improvement recommendations made. 	↔
Governance	No risks of significant weakness identified	<ul style="list-style-type: none"> No significant weaknesses in arrangements identified. Four improvement recommendations made. 	<ul style="list-style-type: none"> No significant weaknesses in arrangements identified, Three improvement recommendations made. 	↔
Improving economy, efficiency and effectiveness	Risk of significant weakness identified in the delivery of children's services following December 2022 inspection.	<ul style="list-style-type: none"> Significant weakness as continuing risk in the delivery of children's services. In May 2023, the DFE issued a statutory Improvement Notice for Children's Services. One key recommendation made; One improvement recommendation made. 	<ul style="list-style-type: none"> No significant weakness in arrangements identified, Four improvement recommendations made 	↓

 No significant weaknesses in arrangements identified or improvement recommendation made.

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

 Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

Financial sustainability



Plymouth City Council is operating in a challenging financial environment following a decade of austerity and spending pressures. The Council has an embedded organisational approach to financial planning and for the setting and monitoring of the annual budget. However, we have identified significant weaknesses in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability. Indicators of financial stress include (but not limited to) the following:

- For 2022/23, the drawdown of £7.9m of usable reserves and the use of £1.1m of Corporate Adjustments (including a MRP holiday) to report a nil variance on a gross expenditure budget of £540 million;
- For 2023/24, a net forecast adverse outturn position, at month 9, of £1.2 million, which includes forecast overspends in children's services of £10.8 million and people (including adult social care) services of £3.7 million;
- Risks around departmental delivery of the overall 2023/24 savings target of £23.435 million, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million;
- Release of £3.528 million of centrally held contingency budget in month 9, as a one-off measure, to mitigate some of the impact of the overspend in Children's Services;
- Increasing levels of demand leading to future costs pressures resulting in a budget gap of £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28, which would significantly impact on the Council's level of reserves if future savings were not made;
- The approved capital programme, at December 2023, for the Council is £398.2 million. Of this £243.9 million (61%) was funded through borrowing.

Given the increased level of financial stress, all members need to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. The Council's MTFS needs to be updated early in the 2024/25 financial year to robustly reflect the impact of the financial stress indicators. Progress in delivering transformation plans should be more frequently tracked by Cabinet and the relevant service scrutiny committees.

On this basis we have concluded that for 2022/23, like many other councils, the Council does not have arrangements in place for ensuring financial sustainability in the medium term. For 2022/23 we have reported a significant weakness in the Council's financial sustainability arrangement and have raised one key recommendation, on page 7, to reflect the financial challenge faced in producing a robust MTFS. We have also raised three improvement recommendations (on pages 18 to 20) on the RAG rating of savings plan delivery, the approval of the MTFS at the start of the financial year alongside the annual budget and the building up of the Council's level of reserves to a risk based target.



Plymouth
Britain's Ocean City



Financial Statements opinion

We have substantially completed our audit of your 2020/21 financial statements and anticipate issuing an unqualified audit opinion shortly. Our findings are set out in further detail on page 39.

Arrangements for the audit of the 2021/22 and the 2022/23 sets of financial statements are discussed on page 43.

Executive summary

Governance

Overall, we found no evidence of significant weaknesses in the Council’s governance arrangements. It has adequate arrangements in place for ensuring that it made informed decisions and managed its risks. The year end Head of Internal Audit Opinion (HoIAO) in 2022/23 was “Reasonable Assurance”. We have made four improvement recommendations to strengthen governance:

- Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs);
- Revision of the quarterly High Risk Update Report to Corporate Management Team and the Audit and Governance Committee to record further management action on how strategic risks scoring higher than 20 are being managed;
- The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year, using the CIPFA Audit Committee effectiveness checklist;
- The scope of the review on “Governance of the Council’s Arms-length Companies” and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee.

Improving economy, efficiency and effectiveness

The Council’s Children, Young People and Families Service had its last full inspection by Ofsted in 2018, achieving a grading of “Requires Improvement”, followed by a Joint Targeted Area Inspection in 2019 and, in December 2022, a Focused Visit of ‘front door’ services. The Focused Visit determined that the quality of social work practice for children at the ‘front door’ had declined and had serious and widespread failings. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement required to be addressed by the Council and its partners. At its November 2023 meeting, each of the six priorities of the Improvement Plan covering the whole service had monthly headline performance measures, with amber RAG status for all six priorities (detailed to the right). Our assessment is therefore that there was a significant weakness in arrangements in this area at the end of the financial year 2022/23.

At the November 2023 meeting of the Education and Children’s Social Care Overview and Scrutiny Committee, each of the six priorities of the Improvement Plan covering the whole service had monthly headline performance measures, with amber RAG status for (1) Governance, Leadership and Management, (2) Early help and front door responses, (3) Robust and effective social work practice, (4) At risk of care, Cared for and Care experienced children and Young People, (5) Quality Assurance and Audit (6) A stable and able workforce. We made a key recommendation, on page 8, to clarify that the planning and resourcing required for the improvements in Children’s Services needs to be reflected in the Council’s Medium Term Financial Strategy 2024/25 to 2028/29. Members need assurance that Children’s Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children’s O&S Committee. We identified one other area for improvement, on page 35, on the production of a Data Quality Strategy.



OUR MISSION: Making Plymouth a fairer, greener city, where everyone does their bit

WE BELIEVE IN:



WE WILL:

Make Plymouth a great place to grow up and grow old
Minimise the impact of the cost of living crisis



Children’s Improvement Plan

- PRIORITY 1 – GOVERNANCE, LEADERSHIP AND MANAGEMENT
- PRIORITY 2 – EARLY HELP AND FRONT DOOR RESPONSES
- PRIORITY 3 – ROBUST AND EFFECTIVE SOCIAL WORK PRACTICE
- PRIORITY 4 – AT RISK OF CARE, CARED FOR AND CARE EXPERIENCED CHILDREN AND YOUNG PEOPLE
- PRIORITY 5 – QUALITY ASSURANCE AND AUDIT
- PRIORITY 6 – A STABLE AND ABLE WORKFORCE

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

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they:

- (i) present a true and fair view of the Authority's financial position, and
- (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We have not yet completed our audit of your financial statements and have not issued our audit opinion as at the date of this interim report. This report will be updated to reflect any significant findings once our audit has been concluded.

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

Our work to date has not identified any issues requiring a statutory recommendation.

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.

Our work to date has not identified any issues requiring 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.

Our work to date has not identified any issues requiring 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.

Our work to date has not identified any issues requiring an advisory notice.

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.

Our work to date has not identified any issues requiring a judicial review.

Key recommendation- Financial Sustainability

Key Recommendation 1

Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.

Identified significant weakness in arrangements

Signs of financial stress that indicate a threat to the Council's financial sustainability, which need to be addressed in a revised MTFS, in the medium term are:

- For 2022/23, the drawdown of £7.9m of usable reserves and the use of £1.1m of Corporate Adjustments (including a MRP holiday) to report a nil variance on a gross expenditure budget of £540m
- For 2023/24, a forecast adverse outturn position, at month 9, of £1.2 million, which includes forecast overspends in children's services of £10.8 million and people (including adult social care) services of £3.7 million;
- Risks around departmental delivery of the overall 2023/24 savings target of £23.435 million, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million;
- Release of £3.528 million of contingency budget in month 9, as a one-off measure, to mitigate some of the impact of overspends;
- Future costs pressures resulting in budget gap of £69 million to be closed, over 4 years, to balance the Council's Medium Term Financial Strategy (MTFS) by 31st March 2028.

Criteria impacted by the significant weakness



Financial Sustainability

Management comments



Progressing the actions management has identified to address the key recommendations made will support the Council in addressing the weaknesses identified from our work.

The timescales provided by management should be appropriate and we encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendation- Improving economy efficiency and effectiveness

Key Recommendation 2

In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children's Improvement Plan needs to be costed with timeframes so the Council is clear of the investment required in Children's Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council's revised MTFs 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children's O&S Committee.

Identified significant weakness in arrangements

The Council's Children, Young People and Families Service had its last full inspection by Ofsted in 2018, achieving a grading of "Requires Improvement", followed by a Joint Targeted Area Inspection in 2019 and, in December 2022, a Focused Visit of 'front door' services. The Focused Visit determined that the quality of social work practice for children at the 'front door' had declined and had serious and widespread failings. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement required to be addressed by the Council and its partners. The Education and Children's Social Care Overview and Scrutiny Committee oversees the reporting of outcomes on the Improvement Plan. At its November 2023 meeting, the Improvement Plan covering the whole service had monthly headline performance measures, with amber RAG status for the following six priorities (1) Governance, Leadership and Management, (2) Early help and front door responses, (3) Robust and effective social work practice, (4) At risk of care, Cared for and Care experienced children and Young People, (5) Quality Assurance and Audit (6) A stable and able workforce.

Criteria impacted by the significant weakness



Improving economy, efficiency and effectiveness

Management comments

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

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

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

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 35. Further detail on how we approached our work is included in Appendix B.

The current LG landscape



National context

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

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

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

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

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

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

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

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

The Council identifies all the significant financial pressures it is facing and builds these into its plans

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

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

- For 2022/23, the drawdown of £7.9m of usable reserves and the use of £1.1m of Corporate Adjustments (including a MRP holiday) to enable the Council to report a nil variance on a gross expenditure budget of £540 million;
- For 2023/24, a forecast adverse outturn position, at month 9, of £1.2 million, which includes forecast overspends in children's services of £10.8 million and people (including adult social care) services of £3.7 million;
- Risks around departmental delivery of the overall 2023/24 savings target of £23.435 million, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million;
- Release of £3.528 million of centrally held contingency budget in month 9, as a one-off measure, to mitigate some of the impact of the overspend in Children's Services;
- Increasing levels of demand leading to future costs pressures resulting in a budget gap of £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28, which would significantly impact on the Council's level of reserves if future savings were not made;
- The approved capital programme, at December 2023, for the Council is £398.2 million. Of this £243.9 million (61%) is funded through borrowing which costs £4.1 million a year to service. The Council is seeking approval for an additional £325 million to take the planned capital programme up to £723.701 million but it is not clear, in the MTFS, whether the impact on the revenue budget is affordable.

Key Recommendation;

- **Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.**

Financial sustainability (continued)

2023/24 budget setting

To balance the 2023/24 budget, a number of one-off adjustments (savings) were made. In order to right-size the base budget going forward, these need to be added back in 2024/25. This sum of £1.495m includes reinstatement of £1m for the Minimum Revenue Requirement (MRP) "holiday" in 2023/24 and one-off savings, mainly held within the Place Directorate. A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2023/24 budget process. Flexible use of capital receipts supports local authorities to deliver more efficient and sustainable services by allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of transformation projects. However, such transformation projects are only available for flexible use of capital receipts if the projects generate savings in the short to medium term.

2023/24 forecast outturn

There is continuing demand pressures in adult social care and children's social care. Financial pressures are compounded by cost pressures in both homelessness and bed and breakfast accommodation plus the Council's statutory responsibility to provide home to school transport for the most vulnerable children. Overspends in these areas, particularly Children's (overspend of £10.787 million) and People ie Adults (overspend of £3.721 million) are forecast for 2023/24 as shown below.

Directorate	Budget £m	Forecast £m	Forecast Net Variance £m	Status
Executive Office	6.403	6.787	0.384	over
Customer and Corporate Services	51.219	50.528	(0.691)	under
Children's Directorate	63.493	74.280	10.787	over
People Directorate	96.345	100.066	3.721	over
Public Health	2.829	2.629	(0.200)	under
Place Directorate	29.469	29.469	0.000	nil variance
Corporate Account & Council wide items	(31.318)	(44.115)	(12.797)	under
Total	218.440	219.644	1.204	over

Source: Finance Monitoring Report December 2023

The MTFS 2024/25 to 2027/28 recognises that demand for services continues to increase, in particular across Adults Social Care (a further allocation of £5.047 million required for 24/25), Children's Social Care (an additional £3 million needed in 24/25), Homelessness (another £3.287 million for 2024/25) and £1 million on Home to School transport assumptions around growth figures are included in the MTFS.



Children and Young People - Social Care

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

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

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

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

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

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

Financial sustainability (continued)

The Council plans to bridge its funding gaps and identify achievable savings

Identifying cost pressures, savings planning and driving further efficiencies are rightly at the core of the Council's Medium Term Financial Strategy (MTFS) which picks up the savings plans and pressures in the annual budget and looks forward four financial years to 2027/28. Uncertainty around future funding and demand for services means that the MTFS is based on assumptions and it is these assumptions which require more detailed analysis underpinning them. The balancing of the 2023/24 budget was one of the most challenging the Council has faced but it achieved but with proper member and officer processes in place, this was achieved.

The savings required for 2023/24, of £23.435 million, were ambitious. At the end of quarter three (December 2023) the Council was forecasting a shortfall against this target, as shown below, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigation actions. The forecast unachievable savings is £3.648 million.

Savings Proposals 2023/24	Budget 2023/24 £m	Achievable 23/24	Not Achievable 23/24	Mitigations against unachievable plans
Customer & Corporate Services	(3.898)	(2.774)	(1.124)	(1.124)
Chief Executives Office	(0.601)	(0.473)	(0.128)	0.000
Childrens	(4.575)	(0.355)	(4.220)	0.000
People	(5.780)	(5.780)	0.000	0.000
ODPH	(0.542)	(0.542)	0.000	0.000
Place	(7.289)	(5.930)	(1.359)	(1.359)
Corporate Items	(0.750)	(0.750)	0.000	0.000
Total Savings 23/24	(23.435)	(16.604)	(6.831)	(2.183)

Source: Finance Monitoring Report December 2023

However, the 2024/25 budget assumes that the £23.435 million reduction in the base budgets from 2023/24 are delivered as sustainable savings, as the budget gap for 2024/25 is still some £11 million. Financial pressures continue to provide a challenge and savings plans need to be delivered. The Council will need to continue to transform how it operates to reduce costs, implementing sustainable and recurring savings and reducing the reliance on one-off opportunities. There will always been a requirement to find one-off savings, however the Council plans to reduce reliance on one-off savings as part of a revised MTFS.

Improvement recommendation one: We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.



Adult Social Care

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

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

There have been several reforms to ASC funding for Councils over recent years, including the introduction of the Better Care Fund and giving Councils the power to raise additional revenue locally through Council Tax (the social care precept). Despite these changes Councils are delivering ASC services within a challenging environment that is shaped by more people, particularly working-age adults, requesting support, an ageing population and increasing complexity of need. These factors are being managed by Councils alongside financial challenges such as the impact of inflation, acute workforce pressures, the sustainability of commissioned ASC providers and uncertainty around longer term ASC funding and reform. Despite these pressures Councils will need to establish sufficient capacity to track and then transform service delivery to meet the challenges of evolving need and demand. Plymouth City Council has resources through its partnership with Livewell, its Community Health and Social Care Provider.

Financial sustainability (continued)

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

The Medium Term Financial Strategy (MTFS) is the Council's primary financial strategic and planning document linking the revenue budget, the capital programme and the treasury management strategy. The Strategy sets out the financial planning assumptions for the next five years and ensures resource allocation is in line with Plymouth's priorities. The report includes a section on financial risks. In September 2023, the MTFS 2023/24 to 2027/28 was approved by Cabinet. The MTFS, at that time, reflected the latest funding projections and set out the forecasted budget shortfall in each year. However, the Strategy did not set out the projected savings over the plan period as savings required for 2024/25 were incorporated into the annual budget for Council in February 2024 and future MTFS reports.

MTFS 2023/24 to 2027/28 (Sept 23)

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
RSG	(11.562)	(12.188)	(12.257)	(12.259)	(12.340)
Council Tax	(130.625)	(138.979)	(144.138)	(149.480)	(154.525)
Business Rates	(75.253)	(77.728)	(77.406)	(77.409)	(77.516)
Reserves	(1.000)	-	-	-	-
Core Resources	(218.440)	(228.894)	(233.801)	(239.149)	(244.381)
Expenditure b/forward	218.440	218.440	240.109	248.119	258.130
Add Right-sizing costs / adjustments	-	10.835	6.467	6.230	6.724
Add Demand-led pressures	-	10.834	1.543	3.781	4.035
Total Net Expenditure	218.440	240.109	248.119	258.130	268.889
Forecast shortfall	-	11.215	14.318	18.981	24.580

The cumulative deficit for the years 2024/25 to 2027/28 is the total of the forecast shortfall for each of the four years (highlighted above) which is £69.004 million at 31 March 2023.

An estimated £69million budget shortfall, at 31 March 2023, is a significant shortfall to address over the medium term and there are no uncommitted reserves available to help with this. Cost pressures, particularly within demand-led services, that were already being faced by the Council have been exacerbated by high levels of inflation, increased pay costs and high energy prices. Alongside budget preparation, the ability to look strategically beyond the current budget period is crucial to supporting the Council's medium-term financial sustainability and resilience. Given the current level of uncertainty and the ongoing widespread pressures on revenue budgets, it is essential that the MTFS is revised with more detailed analysis of the impact of the interlinking financial elements of financial planning.

The Council approves a number of key documents before the start of each financial year, which includes the five year MTFS. However ahead of the 2024/25 financial year the Council only approved the 2024/25 annual revenue budget. The 2023/24 to 2027/28 MTFS was approved in September 2023. We understand that officers intend for the September 2024 Cabinet to approve the 2024/25 to 2028/29 MTFS, however we suggest that this should be brought forward to early in the 2024/25 financial year and then in subsequent years in line with the annual approval of the revenue budget.

Improvement recommendation two: The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.

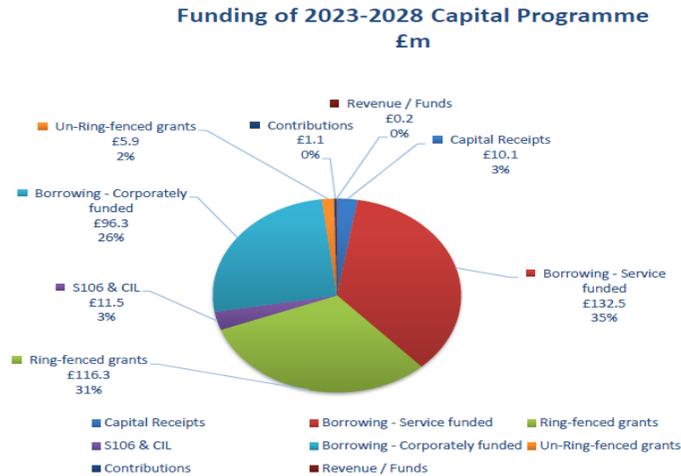
The Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

Capital

The Council is committed to a significant capital investment programme to deliver, with partners, a major regeneration of the city. Officers are proactive at securing external grant funding wherever possible to continue to deliver significant, ambitious capital investment in the city.

Financial sustainability (continued)

The approved capital programme, at December 2023, for the Council was £398.2 million.



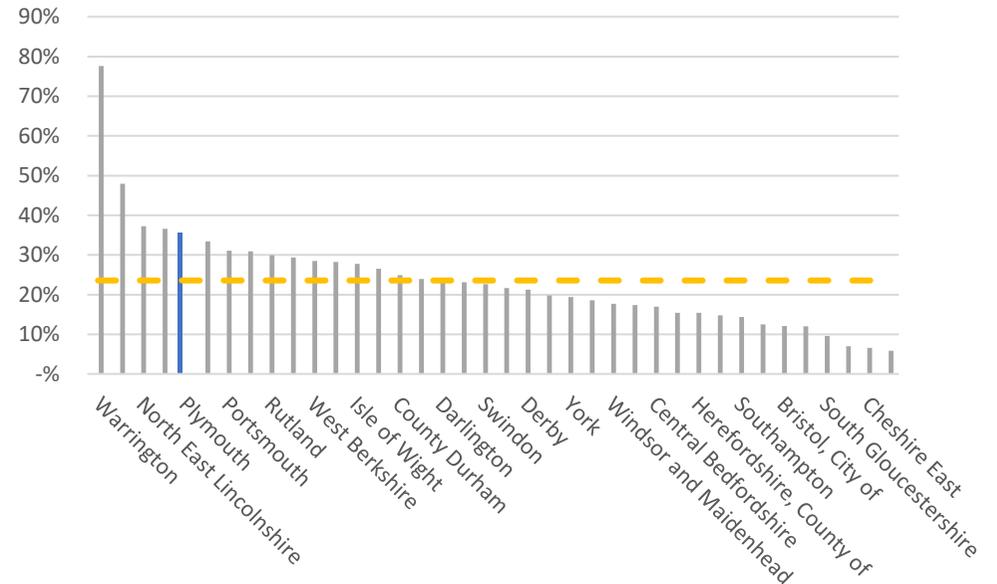
Source: Capital Financing Strategy 2024/25

Of this £243.853 million (61%) is funded through borrowing. Based on the latest 2023/24 forecast totalling £116.180m, actual capital spend on 31 December 2023 was £58.290m, some 50.17% of the forecast figure for 2023/24. Projects seeking to fund proposals from service borrowing are required to meet the principle of “Invest to save”. Business cases will evidence that a loan to fund capital spend can be repaid from the net revenue benefits achieved from the investment. In February 2023, the Council approved a budget which contained an uplift to the revenue budget of £4.190m to meet some of the increased costs associated with borrowing requirements to fund the capital programme. The current MTFP contains proposals to further increase this sum in 2024/25.

Work is ongoing to update the capital pipeline which will identify further corporate borrowing requirements. The affordability of the capital programme and future funding assumptions is under review. Continuing high interest rates against the borrowing requirement to finance the current programme will create a revenue pressure in 2024/25 if action is not taken to limit borrowing.

With the increased cost of borrowing, additional challenge is required on projects with service and corporate borrowing implications. We would expect £160 million of unsupported borrowing to attract MRP of circa £3million per annum. DLUHC have tightened MRP rules in 2024/25 which makes it very clear that MRP must be provided as a revenue charge on all unsupported borrowing including that used to fund the purchase of investment properties. For 2020/21, the Council used £1.4 million of capital receipts in lieu of MRP which is not permissible. The Budget Scrutiny Select Committee recommended that the Capital Programme is reprofiled to ensure that the programme is affordable for the revenue budget. The Council already has high long-term borrowing as a proportion of its long-term assets, as shown below.

Long-term borrowing as a proportion of Long-term assets (%)



Financial sustainability (continued)

Overall conclusion for Financial Sustainability

Given the increased level of financial stress, we have concluded that for 2022/23, like many other councils, the Council does not have arrangements in place for ensuring financial sustainability in the medium term. We have reported a significant weakness in the Council's financial sustainability arrangement for medium-term financial planning and have raised one key recommendation, on page 7, to reflect the financial challenge faced in revising the MTFS for 2024/25 to 2028/29. We have also raised three improvement recommendations (on pages 18 to 20) on the RAG rating of savings plan delivery, approval of the MTFS at the start of the financial year alongside the annual budget, and the building up of the Council's level of reserves to a risk-based target which is higher than the current 5% of net revenue expenditure

All members need to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. The Council's MTFS needs to be updated before the start of the 2024/25 financial year to reflect the impact of the financial stress indicators. Progress in delivering transformation plans should be more frequently tracked by Cabinet and the relevant service scrutiny committees.



Improvement recommendation



Financial sustainability

Improvement recommendation 1

We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in monthly financial reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.

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.

Summary findings

Identifying cost pressures, savings planning and driving further efficiencies are also at the core of the Council's Medium Term Financial Strategy (MTFS) which picks up the savings plans and pressures in the annual budget and looks forward four financial years to 2027/28. Uncertainty around future funding and demand for services means that the MTFS is based on assumptions. The balancing of the 2023/24 budget is one of the most challenging the Council has faced. The savings required for 2023/24 in the MTFS of £23.435 million were ambitious. At the end of quarter three (December 2023) the Council was forecasting a shortfall against this target, as shown below, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million.

Management Comments



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

Improvement recommendation



Financial sustainability

Improvement recommendation 2

The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.

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.

Summary findings

The Council approves a number of key documents before the start of each financial year, which includes the five year MTFS. However ahead of the 2024/25 financial year the Council only approved the 2024/25 annual revenue budget. We understand that officers intend for the September 2024 Cabinet to approve the 2024/25 to 2028/29 MTFS, however we suggest that this should be brought in line with the annual approval of the revenue budget.

Management Comments



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

Improvement recommendation



Financial sustainability

Improvement recommendation 3

As the Council is in the bottom quartile of “general fund and earmarked reserves as a percentage of net revenue expenditure” compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long-term financial health and viability of the council.

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.

Summary findings

The Council recognised that its reserves were too low and had planned to replenish the Working Balance at a rate of £350k a year from 22/23, however budget pressures meant that for 2022/23 there was a reserves contribution holiday . The MTFS budgets for £750k to be added to reserves, in 2024/25, to replenish the working balance however there are no plans in the three years after to add to the working balance to build this up.

Management Comments



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. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

The Council considers risk and opportunities across all of its service and corporate areas. The Council's Risk and Opportunity Strategy 2023 – 2025 and guidance are available for staff on the Council's website together with E-Learning.

Risk reporting

For 2022/23, the Strategic Risk Register was formally reviewed and monitored by the Corporate Management Team each quarter. Risks to planned outcomes are considered as part of the business planning process. Alignment of risk information with performance management has been improved this year with strategic risk updates now being included within operational performance reports, scrutinised monthly by services.

The Council's new computerised risk management, launched in December 2023, produced comprehensive reports which details current risks, their descriptions, risk scores, and mitigating controls. The Audit and Governance Committee is responsible for ensuring that risk management is effective and receives bi-annual reports on "High" risks in terms of key areas of activity and issues related to risk.

Alignment of risks to corporate priorities

We previously recommended that *"The Council should consider refining its risk management arrangements to align with its strategic priorities."* The Council's response was *"Management accepts this recommendation and we have taken steps to implement strategic priorities into our risk management process."* The Council added a risk category to its systematic risk reporting to CMT and the Audit and Governance Committee, through re-categorising some risks as "strategic" rather than as financial, operational or compliance risks.

However, the Council's strategic risks are not mapped to the delivery of its corporate objectives in the Strategic Plan. The Council's arrangements for both performance management and risk management could be streamlined so there is one integrated reporting framework for corporate objectives in the Strategic Plan, Key Performance Indicators (KPIs) for service delivery and the risk around delivery of those KPIs in the Strategic Risk Register.

Improvement Recommendation four: Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).

Risk appetite

The Council's Strategy 2023 to 2025 is much clearer on risk appetite. A scheduled senior leadership forum is planned to further refine the risk appetite towards the end of 2023/24, with the aim of having more bespoke risk appetite for different departments. The new risk strategy will move away from risk champions to a self-service system built using Office 365, which was launched in December 2023. Senior leaders and departmental teams will be able to view the risks on the live dashboard. Internal Audit will also be part of the risk dashboard.

Effective risk management is about ensuring that the correct level of control is in place to reduce risks to the level at which the Council can tolerate that risk, which is the Council's "risk appetite" for that risk. Strategic Risks are monitored every three months and Operational Risks every six months. The benefits gained with risk mitigation, as documented in the Council's Risk and Opportunity Management Framework, are improved strategic, operational and financial management, better decision making, improved compliance and improved customer service delivery and better outcomes.

Governance (continued)

The Council identifies, assesses and scores its risks to give a “current (mitigated) risk score rating” in the “Risk Update” to CMT and the Audit and Governance Committee. The resulting score dictates the level of management action as shown below:

Risk Tolerance		
Red (High Risk)	20 - 25	Must be managed down urgently.
Amber (Med/High Risk) Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor (as per risk appetite escalation)
Green (Low Risk)	6 - 10	Acceptable – continue to monitor if circumstances are subject to change, if not, remove from register
Yellow (Very low risk)	1 - 5	Can be removed from register and managed locally within team but consider adding to risk register if controls are likely to change

A review of the Council’s latest risk update shows that the Council is tolerating a high level of risk after it has applied its mitigating controls as *there are still five red risks that “must be managed down urgently”*.

The five severe risks, at November 2023, are:

1. Council expenditure exceeds the resources available (score = 25)
2. Cyber attack (Score = 20)
3. Emergency accommodation – bed and breakfast budget overspends (score = 20)
4. Failure to meet statutory duties (Score = 20)
5. IT supply chain constraints (Score = 20)

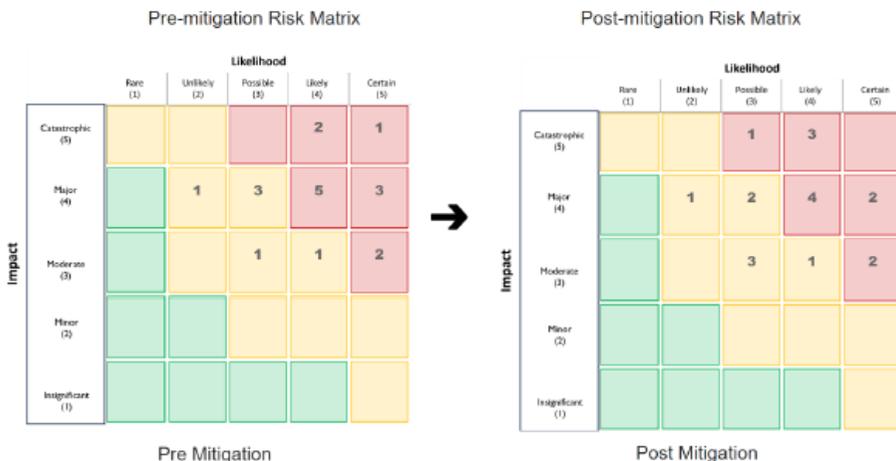
The Council’s RM Strategy provides guidance on next steps for each of the high strategic risk scoring, above 20, to include action planning of further controls and mitigations. The risk tolerance table below helps to align risk exposure with management and escalation activities. Ranges of risk scores are then associated with different levels of management attention.

Residual Risk Score	1-4	5-10	10 - 15	15-20	20-25
Compliance, Regulation & Safeguarding (including Health, Safety & Wellbeing)	Accept	Accept but monitor	Management effort worthwhile	Management effort required	Extensive management essential
Financial	Accept	Accept but monitor	Management effort worthwhile	Management effort required	Extensive management essential
Reputation	Accept	Accept but monitor	Manage effort worthwhile	Management effort required	Extensive management essential

However, the Risk Update Report does not record the further management action and therefore provide CMT and the Audit and Governance Committee any assurance on how these risks are being managed, what “extensive management essential” is being applied and in what timeframe.

Improvement recommendation five: *The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.*

Plymouth City Council - Mitigation Analysis



Source: Risk Update Report – Audit & Governance Committee November 2023

Governance (continued)

Internal Audit

The Council has adequate Internal Audit and Local Counter Fraud Services provided by Devon Assurance Partnership (DAP). Regular reporting is provided to the Audit and Governance Committee who provide appropriate oversight and challenge. The Internal Audit Plan for 2022-23 was approved by the Audit Committee in March 2022 and confirms compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS). A summary of progress against the annual plan is presented to each Audit and Governance Committee meeting, setting out the work completed to date and any significant findings. The year end Head of Internal Audit Opinion (HoIAO) in 2022/23 was “Reasonable Assurance”.

Fraud Detection

The Devon Audit Partnership carries out anti-fraud work, investigating potential fraud and irregularities and conducting pro-active anti-fraud and corruption testing of systems at risk. The 2022/23 plan includes policy implementation, focused reviews, reducing fraud risk in systems, assurance on corporate risk, investigation of potentially fraudulent activity, and training and awareness.

The 2022/23 Annual Counter Fraud Report, presented to the Audit Committee in June 2023, showed that the Counter Fraud Services Team received (CFST) received 277 referrals in the past six months covering areas of Council Business such as tenancy fraud, blue badge fraud, and parking permits. The CFS team has 101 live investigations and continues to support service areas that require data analysis and monitoring. Individual investigation details cannot be disclosed due to sensitive information. The Counter Fraud Annual Report reports that the CFST helped the Council generate savings of £1,348,278.10 and reviewed the Council's counter fraud resilience

Decision making

As outlined in the Constitution, the Cabinet is responsible for day-to-day decisions which are taken with council officers present at meetings open to the public. The Cabinet makes decisions in line with the Council's policies and budget, with matters outside of this referred to the full Council to decide. Scrutiny Committees support the work of the Cabinet and Council by looking into policies and matters of local concern, leading to reports and recommendations for the Cabinet and Council.

Councillors are supported by the Corporate Management Team (CMT), which is headed by the Council's Chief Executive. CMT are responsible for the overall management of the Council, for setting and monitoring overall direction and performance in the delivery of council services. The Council also has a number of committees which include Planning, Licensing, Audit and Governance, various Overview and Scrutiny Committees and a number of others to support the democratic process.

The Council's Local Code of Corporate Governance has been reviewed in line with CIPFA/Solace Delivering Good Governance in Local Government Framework 2016 and its core principles.

Overview and Scrutiny Committees

The scrutiny function is delivered through the Overview and Scrutiny Committees. Scrutiny provides an important check and balance within the governance system on the decisions of Cabinet and the Leader and acts as a 'critical friend' to the Cabinet and other decision makers in order to promote better services, policies and decisions.

- Growth and Infrastructure,
- Education and Children's Social Care,
- Health and Adult Social Care,
- Performance, Finance and Customer.

The February 2022 LGA Corporate Peer Challenge (CPC) stated recommended that the Council “Undertake an external review of Scrutiny, looking to enhance opportunities for all members to engage with, and influence the policy agenda. Look to support this by refreshing the council's on-going member development offer so that all members can develop and maintain high levels of skills and knowledge.” The CPC team reported in February 2023 that “An external review of scrutiny has commenced with the initial phase undertaken by the Centre for Governance and Scrutiny (CfGS). There is further work to do, and it will be important to consider how the council can resource and enact the progress it wants and needs to ensure that the value of scrutiny is fully recognised, and the function adds real value.” Progress has been made, for example the scrutiny of Senior Leadership Capacity, based on the scrutiny review of the risk register.

Governance (continued)

The Council's scrutiny function now considers risks relevant to the terms of reference of the particular scrutiny committee. This approach allows for detailed review of risk, its cause and mitigation, in the wider context of associated policy, performance and financial considerations.

Audit and Governance Committee

The Audit and Governance Committee is responsible for overseeing financial and information systems, monitoring audit performance and risk management systems, and ensuring compliance with codes of practice and policies. The committee is comprised seven members, one of which is an independent member in line with CIPFA guidance. During 2022/23, the committee held four meetings, with six members attending at least three. Our review of committee minutes shows that members provide adequate challenge, requesting further detail on investigations and irregularities and questioning officers on limited assurance reports. However, there was no Audit Committee self-assessment of its effectiveness in year.

Improvement recommendation six: The Audit Committee should carry out a self-assessment of its effectiveness each year, using the CIPFA Audit Committee effectiveness checklist, and report on the outcome at the end of the financial year.

Standards and Behaviour

Policies are directed by the political leadership (Leader and Cabinet) and implemented by the Corporate Management Team (CMT). The Constitution provides guidance on expected standards of behaviour for members, including Members Code of Conduct, Employees Code of Conduct, and Whistleblowing Policy.

The Standards Committee is responsible for promoting and maintaining high standards of conduct, advising and training members on the Members' Code of Conduct, monitoring its operation, and considering complaints alleging breaches of the Code of Conduct by Members. During 2022, the Code of Conduct was updated and Members received training on the new CoC.

Arms-length companies

The Council has a number of profitable arms-length companies or Alternative Service Delivery Vehicles (ASDV) to support the Council and partners in the city such as DELT Shared Services Ltd, CATERed Limited, FullyCATERed Limited, ARCA (Plymouth) Limited, @PlymouthCare Limited and Plymouth Active Leisure Ltd. Plymouth City Council is currently involved in 19 companies which are either wholly owned, teckal (with joint public sector ownership) or in which it has shares or is a member of. These companies have enabled the Council to sell services to third parties, develop, manage and invest in revenue generating assets and the delivery of shared service agreements.

The Council is currently reviewing its arrangements for its arms-length companies and has found the following to date:

- Some members of CMT hold responsibility for companies within the family of companies.
- All reported compliance with guidance set out in the Local Authority Owned Companies: A good practice guide.
- Whilst some areas are able to provide evidence of key governance documents (Annual Reports, Articles of Association etc) in relation to individual companies, not all are easily accessible.

Further actions based on identified risks to governance within the family of companies, specifically focussed on the role of shareholders will be developed in 2023/24. As this review is extending into two financial years, we suggest that the scope of the review on "Governance of the Council's Arms-length Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively managed and the review reports in a timely manner.

Improvement recommendation seven: The scope of the review on "Governance of the Council's Arms-length Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively managed and the review reports in a timely manner.

Governance (continued)

Conclusion on Governance

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. It has adequate arrangements in place for ensuring that it made informed decisions and managed its risks. We have made four improvement recommendations to further improve governance as follows:

- Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).
- The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed
- The Audit Committee should carry out a self-assessment of its effectiveness each year, using the CIPFA Audit Committee effectiveness checklist.
- The scope of the review on "Governance of the Council's Arms-length Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee.



Improvement recommendation

Improvement Recommendation 4

Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).

Summary findings

The Council's strategic risks are not mapped to the delivery of its corporate objectives in the Strategic Plan. The Council's arrangements for both performance management and risk management could be streamlined so there is one integrated reporting framework for corporate objectives in the Strategic Plan, Key Performance Indicators (KPIs) for service delivery and the risk around delivery of those KPIs in the Strategic Risk Register.

Criteria impacted



Governance

Auditor judgement

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

Management comments



Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Authority 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 recommendation

Improvement Recommendation 5

The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.

Summary findings

The five severe risks, at November 2023, were: (1) Council expenditure exceeds the resources available (score = 25); (2) Cyber attack (Score = 20); (3) Emergency accommodation – bed and breakfast budget overspends (score = 20); (4) Failure to meet statutory duties (Score = 20) and (5) IT supply chain constraints (Score = 20).

The Risk Update Report does not record the further management action and therefore provide CMT and the Audit and Governance Committee any assurance on how these risks are being managed, what “**extensive management essential**” is being applied and in what timeframe.

Criteria impacted



Governance

Auditor judgement

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

Management comments



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

Improvement recommendation

Improvement Recommendation 6	<i>The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.</i>
Summary findings	The annual self-assessment would allow the Audit Committee to report annually on how the committee has complied with the CIPFA Position Statement, discharged its responsibilities, and include an assessment of its performance.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	



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

Improvement recommendation

Improvement Recommendation 7

The scope of the review on “Governance of the Council’s Arms-length Companies” and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively managed and the review reports in a timely manner.

Summary findings

The Council is currently reviewing its arrangements for its arms-length companies and has found the following to date:

- Some members of CMT hold responsibility for companies within the family of companies.
- All reported compliance with guidance set out in the Local Authority Owned Companies: A good practice guide.
- Whilst some areas are able to provide evidence of key governance documents (Annual Reports, Articles of Association etc) in relation to individual companies, not all are easily accessible.

Further actions based on identified risks to governance within the family of companies, specifically focussed on the role of shareholders will be developed in 2023/24.

Criteria impacted



Governance

Auditor judgement

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

Management comments



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

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.

Strategic planning

The Plymouth City Corporate Plan 2023 – 2026 sets out the Councils vision of Plymouth being ‘Once of Europe’s most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone’. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan.

Performance and financial information

The Corporate Plan Performance Report is updated on a quarterly basis to the Cabinet and Scrutiny committees and presented to Corporate Management Team on a monthly basis.

Key performance indicators are used to track performance of the Council’s priorities as outlined in the Corporate Plan. Targets go through CMT and then agreed with Portfolio Holders; not changed in year (unless in exceptional circumstances) 15% threshold applied to determine red/amber/green ratings – based on similar practice with other local authorities – does not change in-year (unless in exceptional circumstances)

The Performance and Accountability Framework underpins this approach and is due for review in 2024 as it was last updated in July 2021.

OUR PLAN BUILD A BETTER PLYMOUTH



CITY VISION: Britain's Ocean City

One of Europe’s most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone



OUR MISSION: Making Plymouth a fairer, greener city, where everyone does their bit

WE BELIEVE IN:

 DEMOCRACY Because we listen and hear what people want	 RESPONSIBILITY Because we care about the impact of our decisions and actions	 FAIRNESS Because we want to address inequality and inequity in our city	 CO-OPERATION Because we achieve more together than we would alone
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WE WILL:

Make Plymouth a great place to grow up and grow old
Minimise the impact of the cost of living crisis

OUR PRIORITIES:

- Working with the Police to tackle crime and anti-social behaviour
- Fewer potholes, cleaner, greener streets and transport
- Build more homes - for social rent and affordable ownership
- Green investment, jobs, skills and better education
- Working with the NHS to provide better access to health, care and dentistry
- Keeping children, adults and communities safe

DOING THIS BY:

- Providing quality public services
- Trusting and engaging our communities
- Focusing on prevention and early intervention
- Spending money wisely
- Empowering and engaging our staff
- Being a strong voice for Plymouth

www.plymouth.gov.uk/ourplan

Improving economy, efficiency and effectiveness (continued)

Data Quality

The basis for good performance information is assurance that the information is based on good quality data. Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management .

Improvement recommendation 7: The Council should develop a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform KPI's, with a view to including an assessment/rating of specific data sets within non-financial performance reports.

Benchmarking

As part of the annual budget setting process, senior officers work with finance to establish the cost base of the major areas of expenditure – adult and children's social care; waste collection as examples. High-cost areas for the Council included Adult Social Care, Children's social care, housing, education and waste. Work undertaken includes cost and volume analysis. Independent benchmarking will be considered as an input to the MTFP under revision.

Benchmarking against comparators/national datasets as part of business planning process and reporting on performance against those plans. As part of the annual budget setting process, senior officers work with finance to establish the cost base of the major areas of expenditure – adult and children's social care; waste collection as examples. Work undertaken includes cost and volume analysis. Independent benchmarking will be considered as an input to the MTFP under revision.

Ad-hoc benchmarking was also undertaken, for example the work undertaken to support the Children's Directorate. The Council also benchmarks all their performance metrics and used detailed benchmarking when service reviews are carried out.

Assessing performance and identifying improvement

Local Government Association (LGA) – Corporate Peer Challenge

In July 2022, the Council published its full report on the outcome of the February 2022 LGA Corporate Peer Challenge (CPC).

- Review key plans and strategies to reflect the post-pandemic 'new normal' i.e. increases in service demand, taking the opportunity to review ambition to ensure it aligns with capacity and resources
- Continue to embed rigour and transparency in budget setting and monitoring – both revenue and capital – to ensure that financial challenges and risk are consistently understood and mitigated across the organisation.
- Embed the workforce strategy including recruitment, retention, and succession planning, and continue to ensure sufficient organisational capacity to satisfy external audit requirements.

February 2023 feedback recognises that the Council is in a better place and much progress has been made on the CPC action plan. However, there are still challenges around the level of reserves, adding value through scrutiny and capacity of the finance function and other departments. The CPC team felt that *“in key service areas, most especially in both Adults and Children's services, the council should have a clear plan in place to ensure greater focus on the improvements it needs to make are effectively led and delivered. For example, resources will be required to address the outcome of the recent Ofsted inspection and make any necessary improvements to service delivery in Children's services, whilst in parallel Adult Social Care is responding to significant national reform. However, there are also capacity concerns within the corporate centre – the area that will be required to deliver the council's overall change and transformation ambitions”*.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Children's Services

The Council's Children, Young People and Families Service had its last full inspection by Ofsted in 2018, achieving a grading of "Requires Improvement", followed by a Joint Targeted Area Inspection in 2019 and, in December 2022, a Focused Visit of 'front door' services. The Focused Visit determined that the quality of social work practice for children at the 'front door' had declined and had serious and widespread failings. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement to be addressed by the Council and its partners. The Improvement Notice required that the Council develop an Improvement Plan, establish an Improvement Board with an Independent Chair and report on progress against the improvement plan by providing data analysis and evidence of impact of improvements on the quality of services for children in need of help and protection. The Secretary of State (SoS) also appointed an adviser to work with the Council until the SoS is satisfied that all areas requiring improvement had been addressed. Our assessment is therefore that there is a significant weakness in arrangements in this area.

The Council's Children's Improvement Board was established, chaired by the Director of Children's Services from Dorset Council. Dorset Council is Plymouth's Sector Led Improvement Partner (SLIP). The Improvement Board meets every six weeks with cross-departmental officers, the Chief Executive and Interim Director of Children's Services, the wider partnership and cross-party Members. A governance framework for children's improvement priorities is in place to ensure that the Focused Improvement Plan aligns with other priority strategic plans in the department to stabilise the service. The Education and Children's Social Care Overview and Scrutiny Committee oversees the reporting of outcomes on the Improvement Plan. At its November 2023 meeting, each of the six priorities of the Improvement Plan had monthly headline performance measures, with amber RAG status for all six priorities (detailed to the right).

For 2023/24, officers state that the plans and capacity in place had a positive impact. Good progress has been made during the year and it appears that the Improvement Notice is due to be lifted and the Improvement Board stood down by DfE early in 2024/25. Governance in this area has also been strengthened. We will follow up on progress in our next VFM report for the financial year 2023/24. What is not clear, in the reporting to the O&S Committee, is the timeframe beyond the end of the financial year nor the resources required to implement the Improvement Plan in 2024/25 and beyond. The Children's Improvement Plan needs a forward looking aspect which feeds into the Council's revised MTFS as the current 2023/24 to 2027/28 only accounts for additional demand in the current service format. The transformational issues need to be planned and resourced in detail.

KEY Recommendation

In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children's Improvement Plan needs to be costed with timeframes so the Council is clear of the investment required in Children's Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council revised MTFS 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children's O&S Committee.



Children's Improvement Plan

- PRIORITY 1 – GOVERNANCE, LEADERSHIP AND MANAGEMENT
- PRIORITY 2 – EARLY HELP AND FRONT DOOR RESPONSES
- PRIORITY 3 – ROBUST AND EFFECTIVE SOCIAL WORK PRACTICE
- PRIORITY 4 – AT RISK OF CARE, CARED FOR AND CARE EXPERIENCED CHILDREN AND YOUNG PEOPLE
- PRIORITY 5 – QUALITY ASSURANCE AND AUDIT
- PRIORITY 6 – A STABLE AND ABLE WORKFORCE

Key for RAG rating against target and direction of travel:

RAG rating for actuals against targets (it is not appropriate to have targets for all indicators)	On target	Within 15% of target	More than 15% from target
Direction of travel shown between current and previous month (green indicates an improvement and amber indicates a decline)	▲	▼	

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council's financial plans highlights several partnership arrangements that align with its corporate objectives and key priorities, including job creation, affordable housing, education improvement, and addressing health needs and social care. These partnerships also align with some of the high-cost services identified in the Chief Financial Officer Insights (CFOI) benchmarking. The Council is an active participant in the Plymouth Safeguarding Adults Partnership and the Plymouth Safeguarding Children Partnership, which coordinate and lead safeguarding services across the city. These partnerships prioritize learning, continuous improvement, and collective accountability to ensure everyone in Plymouth plays their part in keeping both children and adults safe.

The Plymouth Local Care Partnership System Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable. The Plymouth and South West Devon Joint Local Plan looks at the big issues, including where to build homes, where roads should go and how to ensure economic growth and prosperity for Plymouth residents and those living in the towns and villages of West Devon and the South Hams.

Partnership working presents a number of new risks -

- Partner organisations will have different aims and objectives;
- Often Partnerships are innovative, and there is no proven track record for the work they are undertaking;
- By definition, they involve different organisations, with different cultures and systems;
- It is likely each organisation will have a different approach to the management of risk;
- Organisations will have differing risk appetites.

The LGA Peer Review also suggested that the Council “build on the effective relationships with external partners across a larger geographical footprint to maximise opportunities, especially those offered through the emerging County Deal, and support political leaders to enhance their visibility in these partnerships. As part of this, the council should consider reviewing the Terms of Reference of the Boards and their strategic rationale in order to simplify channels of engagement for all external stakeholders.



Commissioning and procurement

The Council's Financial Regulations and Contract Standing Orders are documented in the Council's Constitution. Staff must comply with these rules when spending money with external providers. The Council has a Head of Procurement and specialised teams for different types of procurement. The Council complies with the Public Services (Social Value) Act and applies social value evaluation weightings.

As recommended last year, the Council should produce a procurement strategy, as part of its current review of its procurement arrangements, to ensure that the Council's policies, procedures, and practices are up to date and include a better analysis of spend, budget, and risk. While the Council is refreshing its Contract Standing Orders as part of the constitutional review, it should ensure that the procurement strategy includes all aspects of procurement, including rules, policies, procedures, and analysis of spend, budget, and risk. Work is underway and we will follow-up on progress as part of next year's work on value for money arrangements.

Improving economy, efficiency and effectiveness (continued)

Conclusion on improving economy, efficiency and effectiveness

Our assessment is that there is a significant weakness in arrangements in the delivery of Children's Services. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Improvement Notice required that the Council develop an Improvement Plan, establish an Improvement Board with an Independent Chair and report on progress against the improvement plan by providing data analysis and evidence of impact of improvements on the quality of services for children in need of help and protection. The Secretary of State (SoS) also appointed an adviser to work with the Council until the SoS was satisfied that all areas requiring improvement had been addressed.

We made a key recommendation, on page 8, to clarify that the planning and resourcing required for the improvements in Children's Services needs to be clarified and reflected in the Council's Medium Term Financial Strategy 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve, and the estimated timescale for the improvement required to remove the Statutory Improvement Notice. We also identified one improvement recommendation suggesting that the Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework.



Improvement recommendation

Improvement Recommendation 7

The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.

Summary findings

Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management. The Council does not have a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform KPI's,

Criteria impacted

 Improving economy, efficiency and effectiveness

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

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.



Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
2022/23 Key recommendations from Significant Weaknesses			
<p>Financial sustainability</p> <p>Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council’s Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering savings and transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.</p>	Key	February 2024	
<p>Improving economy, efficiency and effectiveness</p> <p>In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children’s Improvement Plan needs to be costed with timeframes so the Council is clear of the investment required in Children’s Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council’s revised MTFS 2024/25 to 2028/29. Members need assurance that Children’s Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children’s O&S Committee.</p>	Key	February 2024	

Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
 Financial Sustainability			
<p>1 We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in monthly financial reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.</p>	Improvement	February 2024	
<p>2 The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.</p>	Improvement	February 2024	
<p>3 As the Council is in the bottom quartile of “general fund and earmarked reserves as a percentage of net revenue expenditure” compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long-term financial health and viability of the council.</p>	Improvement	February 2024	

Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
 Governance			
4 Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).	Improvement	February 2024	
5 The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.	Improvement	February 2024	
6 The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.	Improvement	February 2024	
7 The scope of the review on “Governance of the Council’s Arms-length Companies” and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively managed and the review reports in a timely manner.			
 Improving economy, efficiency and effectiveness			
8 The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI’s in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.	Improvement	February 2024	

Follow-up of prior year recommendations

No.	Recommendation	Management response
	 Financial Sustainability	
1	<p><u>KEY Recommendation One</u> Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time</p>	<p>The Service Director Finance presented a budget report to Cabinet on 17 January 2023. This set out the latest financial position for 2023/24 and proposed the maximum Council Tax increase of 2.99% and ASC precept of 2%. At the Full Council meeting on 27 February 2023 the Council Tax increase – the maximum before a local referendum – was agreed. Within the Revenue and Capital Budget 2023/24 report, the S151 Officer's Budget Robustness Statement stated: The statement also included advice on the consequences of not maximising the increase. There is a clear commitment to increase the council's general fund balance as part of the MTFP refresh. It will need a longer-term strategy to move from the current £8.4m to hold a 5% balance against the 2023/24 resources of £218m being £10.9m</p>
2	<p><u>KEY Recommendation Two</u> The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24.</p>	<p>A further update was presented to Cabinet on 17 January and this will be presented to Scrutiny for discussion and debate in January. A recommendation from Scrutiny is: a) that a three year Medium Term Financial Plan is prepared and considered at Full Council in September. This reflects similar recommendations made through the LGA corporate peer challenge and external auditors report. In response, the Section 151 Officer agreed to undertake a review of the MTFP and will submit for consideration to Council in September 2023. The budget for 2023/24 has taken account of the latest inflationary and energy price increases, and includes additional budget allocations for key areas such as social care (both adults and children) and the Place Directorate. The Budget Report includes Section 1 – Helping Plymouth Build Back Better which sets out the four key priorities. There is also a Directorate Summary section setting out the costs and services for the delivery of over 300 vital services. The S151 Officer is proposing the development of a 5 year MTFP.</p>
3	<p><u>KEY Recommendation Three</u> The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the significant financial challenges and associated workload during 22/23.</p>	<p>The interim was appointed and has been supporting the Council's in year and future years budget planning.</p>

Follow-up of prior year recommendations

No.	Recommendation	Management response
	Financial Sustainability (continued)	
	<p>4 The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.</p>	<p>The full list of savings proposals were published in the budget report for Cabinet on 17 January 2023 and approved by Full Council in February 2023. The size of the shortfall between anticipated resources and financial commitments for the coming year has been considerable, and a disciplined approach to achieving a balanced budget whilst maintaining delivery against the Council's agreed priorities has been necessary. Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge and we will need to deliver our savings plans that are being put in place. The Council will need to continue to transform how it operates to reduce costs. As part of the budget setting, it has been a major consideration to implement sustainable and recurring savings, reducing the reliance on one-off opportunities. There will always been a requirement to find one-off savings however the ratio of such savings as part of the £23m is at an acceptable level. A plan to further reduce reliance will form a key strand of the new MTFP.</p>
	<p>5 The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.</p>	<p>The approach to balance the budget has been informed by a clear focus on agreed priorities, the delivery of measures to increase efficiency, maximising income opportunities where appropriate and changing our systems, processes and structures to improve the way we deliver services.</p>
<p>6 The Council's Strategic Risk Register needs to record significant financial risks at a more granular level, over the short and medium term. The mitigating actions to manage these risks need to be recorded in the Action Plan / Future Mitigation column of the Risk Register which currently replicates the controls in place, so that officers and Members are clear how the council may put itself in a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes</p>	<p>An updated risk register was submitted to the Audit and Governance Committee on 16 January 23. Risk Number one in table one relates to the Council's expenditure exceeds the resources available to meet that expenditure within the medium-term financial plan period, and Risk number two relates to possible failure to meet statutory duties due to growing volume and complexity of demand for children's social care services. The mitigations are set out in detail.</p>	

Follow-up of prior year recommendations

No.	Recommendation	Management response
7	The Council's levels of reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.	The S151 Officer has had a follow up discussion on this issue with the external auditors. The updated MTFP will be made available to Full Council in September 2023 and will include a clear strategy and ongoing commitment to increasing the Working Balance.
<div data-bbox="129 592 232 699" data-label="Image"> </div> <div data-bbox="253 604 481 644" data-label="Section-Header"> <h2>Governance</h2> </div>		
8	We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.	The recommendation is noted. As previously stated, we are undertaking a review of our scrutiny arrangements and this will form part of the discussion.
9	Given the financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly finance monitoring reports so senior officers and members may see the level of variances at an activity level which will better inform their decision making around services.	The S151 Officer has been reviewing the financial monitoring reports of other unitary authorities. It is considered that the current level of transparency within the monthly finance monitoring report meets the requirements of Cabinet and Scrutiny, with the quarterly reports being noted at Full Council. The Management Scrutiny Board have requested changes to the report format, particularly given the unprecedented pressures of the financial year 2022/23. The S151 Officer is open to discussions with the Administration when known in May on any further improvements or additional information. It should be noted that the reporting process is more than just the public facing reports which are published.
10	We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.	The S151 Officer has reviewed the Code and will ensure a self-assessment is undertaken this month (March 2023) and update further.

Follow-up of prior year recommendations

No.	Recommendation	Management response
	Improving economy, efficiency and effectiveness	
11	The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.	As part of the Finance restructure which went live 1 st December 2022, a new post was created for a Service Accountant within the Corporate Accountancy team. This role will provide the link between finance and the systems team to ensure data accuracy and provide resource for system updates and changes. There is a CMT lead on data quality – following this recommendation the S151 Officer will ensure dialogue at CMT. For example the idea of strengthening the use of data and evidence in decision making is a part of the health determinant research collaboration, where PCC has been awarded grant funding to progress. We do have a strong governance in place around, for example, the level of detail within financial information provided to Cabinet, and therefore published to the public, as well as full transparency for all scrutiny committees and Full Council
12	The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.	As part of the annual budget setting process, senior officers work with finance to establish the cost base of the major areas of expenditure – adult and children's social care; waste collection as examples. Work undertaken includes cost and volume analysis. Independent benchmarking will be considered as an input to the MTFP under revision.
13	The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.	The Corporate Management Team recently undertook a desktop review of the "Family of Companies" looking at ownership; responsibilities and contribution to PCC. The Strategic Director for Customer & Corporate Services has an action to further review and advise.
14	The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.	PCC do not have a procurement strategy, however Procurement will be refreshing the Council's Contract Standing Orders as part of the wider constitutional review being undertaken by the Monitoring Officer. This refresh will look to make improvements across all aspects of Procurement including rules, policies and procedures. Work is currently underway.

Opinion on the financial statements



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

- give a true and fair view of the financial position of the Authority 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.

We conducted our audit in accordance with:

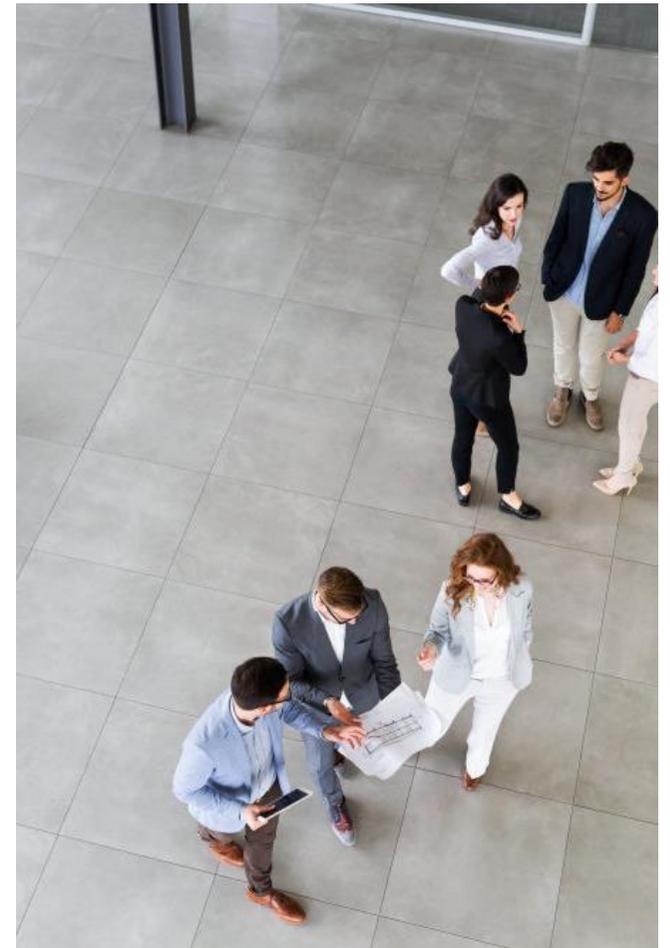
- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

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

Audit opinion on the financial statements

Officers have been working closely with us to resolve an outstanding technical issue relating to the Council's Statement of Accounts for 2019/20. Once this issue has been resolved in the next month, then we will issue the 2019/20 audit opinion. The Council may have to adjust the Statement of Accounts for 2020/21, 2021/22 and 2022/23 as a result of the outcome of the 2019/20 audit.

Our work on the 2020/21 financial statements is well progressed and we will present our Audit Findings Report setting out the findings from our detailed work to Audit and Governance Committee in March 2024. We anticipate issuing an unqualified opinion on these statements shortly afterwards.



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 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 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
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the [type of body]. We have defined these recommendations as ‘key recommendations’.	Yes	<ul style="list-style-type: none"> • Financial sustainability – page 7 • Improving economy, efficiency and effectiveness – page 8
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	<ul style="list-style-type: none"> • Financial sustainability – pages 18 to 20 • Governance – pages 26 to 29 • Improving economy, efficiency and effectiveness – page 35

