

# Plymouth City Council

Auditor's Annual Report (interim version)  
for the year ended 31 March 2024

November 2024



# Contents

Section	Page
Introduction	3
Executive summary	4
Opinion on the financial statements and use of auditor’s powers	8
Value for Money commentary on arrangements	11
The current local government landscape	12
Financial sustainability	13
Governance	19
Improving economy, efficiency and effectiveness	22
Recommendations raised in 2023/24	27
<b>Appendices</b>	
Appendix A – Responsibilities of the Council	32
Appendix B – Value for Money Auditor responsibilities	33
Appendix C – Follow-up of previous recommendations	34



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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

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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Plymouth City Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements, covering the period 1 April 2023 to 31 March 2024.

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

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

## Responsibilities of the appointed auditor

### Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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

### Value for money

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

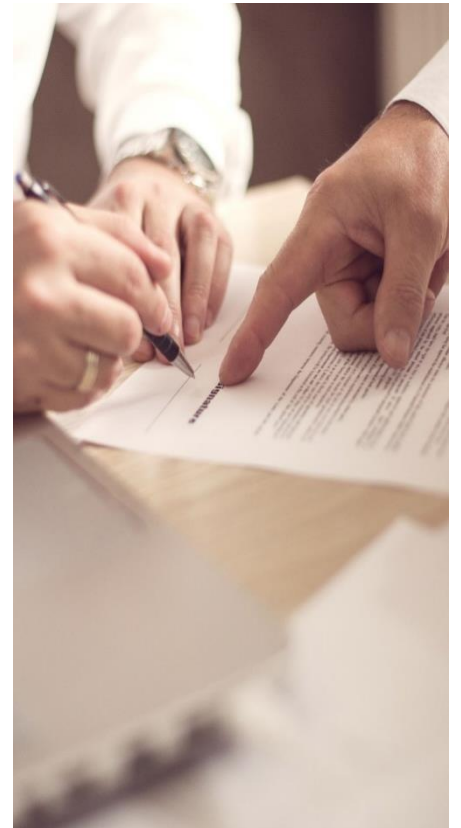
- financial sustainability;
- governance; and
- improving economy, efficiency and effectiveness.

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

### Auditor powers

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

These powers are set out on page 10 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This report covers the arrangements in place for the period 1 April 2023 to 31 March 2024, although does not report some subsequent developments where these are relevant.

The NAO Code 2024 states that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by 30 November deadline each year and for the audited body to publish the Report thereafter. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in accordance with this timetable one year earlier than required.

Our 2023/24 summary findings are set out below.

## Financial sustainability

We identified a significant weakness in the interim version of our 2022/23 Auditor's Annual Report, presented to the Council's Audit and Governance Committee in March 2024, recommending that the Council needed to produce an updated Medium Term Financial Strategy (MTFS). At the time of writing, an updated MTFS has not been published and therefore we consider that this significant weakness and key recommendation remain open. See pages 13 and 16 for more information.

Whilst the Council is engaging in transformation within Adults and Children's services, and some wider activities to enable transformation, the Council needs to ensure that it can deliver its plans at scale and pace to support its financial sustainability, bringing these into a single plan to allow monitoring and accountability. We identified a significant weakness and key recommendation in respect of this area, see pages 14 and 17.

We also identified areas where the Council could improve arrangements and as such, have raised the following two improvement recommendations:

- the MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios; and
- the Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.

## Governance

In conclusion, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We identified two areas where the Council could improve arrangements and as such, have raised two improvement recommendations relating to:

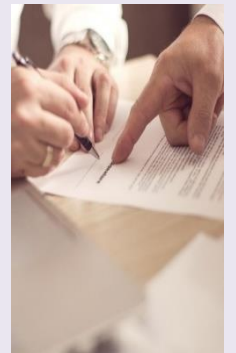
- improving the consistency of the information on the Corporate Risk Register; and
- reporting of the high-level improvements made as a result of fraud investigations.



### 2023/24

Our work on the Council's 2023/24 financial statements began in October 2024.

We anticipate issuing our audit opinion by the end of February 2025.



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# Executive summary (continued)

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## Improving economy, efficiency and effectiveness

We reported a significant weakness in our 2022/23 Interim Auditor's Annual Report related to the arrangements to deliver good quality Children's Services. Within 2023/24 the Council was in Secretary of State (SoS) intervention throughout much of the year, with a Statutory Improvement Notice issued in May 2023 and another Improvement Notice in November 2023 following a local area SEND inspection. The Council did respond promptly and positively to intervention and can evidence improvements in services into 2024/25, however we conclude that the arrangements for the period 1 April 2023 to 31 March 2024 were indicative of a significant weakness in arrangements, see pages 22, 24 and 25.

We identified one area where the Council could improve arrangements and as such, have an improvement recommendation on the reporting of the Council's Procurement Readiness Action Plan to the Audit and Governance Committee.

One area for improvement outstanding from our 2022/23 AAR is the production of a Data Quality Strategy which the Council plan to produce by the end of March 2025 as part of a wider review of data intelligence and maturity.

# Executive summary (continued)



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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place.

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

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements
Financial sustainability	<b>R</b> Significant weakness as the Council has a high number of financial stress indicators. One key recommendation made. Three improvement recommendation made.	Risk of significant weakness identified.	<b>R</b> Significant weakness as 2022/23 key recommendation not implemented. One prior year key recommendation remains open and one new key recommendation made. Two improvement recommendations made.
Governance	<b>A</b> No significant weaknesses in arrangements identified. Four improvement recommendations made.	No risk of significant weakness identified.	<b>A</b> No significant weaknesses in arrangements identified. Two improvement recommendations made.
Improving economy, efficiency and effectiveness	<b>R</b> 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.	Risk of significant weakness identified.	<b>R</b> Significant weakness as Improvement Notice in place May 2023 to April 2024. One improvement recommendation made.

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

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





# Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

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

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

## Audit opinion on the financial statements

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

Our work on the Council's 2023/24 financial statements began in October 2024. We anticipate issuing our audit opinion by the end of February 2025, in accordance with the proposed backstop arrangements.



# Use of auditor's powers

We bring the following matters to your attention:

We do not currently anticipate:

## 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.

- making any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## Public Interest Report

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

- issuing 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.

- making 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.

- issuing any advisory notices.

## Judicial review

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

- making an application for judicial review.

# **Value for Money Commentary on arrangements**



# The current local government landscape

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



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils’ General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents. In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

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

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend. Given the general election took place on 4 July 2024, any changes to government policy relating to the sector are at present uncertain.



## Local context

Plymouth City Council is a unitary authority that has been under Labour majority control since 2023, with 42 Labour, 7 Conservatives, 2 Green and 6 Independent councillors. The Council, along with most local authorities across the country, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal. This has been added to by the continuing challenging operating environment and increasing and more complex local service demand. Throughout 2023/24 the Council faced continuing major increases in service demand combined with unavoidable and rapid increases in operating costs across almost every aspect of the authority. This had a huge impact on the Council’s approved financial plans for 2023/24 and the general economic climate created serious cost of living challenges for residents.

The most challenging area of concern and level of overspending in 2023/24 has been the cost of externally purchased Children in Care placements. This has been a pressure faced by the Council for several years, but it got significantly worse in 2023/24 and continues into 2024/25. It is a challenge that is replicated across most upper tier local authorities throughout the country. Residential Care placements are in short supply, and this has pushed up prices significantly for all local authorities. This is of most concern where a child has complex needs and/or challenging behaviour. Home to School transport has been under significant pressure due to high inflation, increased number of high-cost routes and high needs children being placed outside the city. Adult Social Care has seen continued pressure for emergency accommodation within Community Connections to meet the homelessness demand and the budget for Care Packages has also been under pressure.

In assessing arrangements over the following pages, we use the following RAG-rating criteria.

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

# Financial sustainability



We considered  
how the Council:

Commentary on arrangements

Assessment

Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

As we reported in our 2022/23 Interim Auditor's Annual Report, which was discussed at the March 2024 Audit and Governance Committee, the Council has an organisational approach to financial planning. However, we reported a significant weakness in the Council's arrangements for financial sustainability as there was a medium-term financial gap of circa £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 published September 2023. Since we reported on 2022/23, increased costs and activity will likely have widened this gap between funding and expenditure as:

- the 2023/24 outturn, which although balanced, required a drawdown of £1.953m of usable reserves and the use of £9.307m of corporate resourcing adjustments for the Council to break-even; and
- at month 5 2024/25, the forecast outturn revenue overspend is £16.687 million, of which £6.697million currently has no mitigations identified. The mitigations that have been identified are amber risk-rated and therefore not guaranteed to deliver.

We reported that a new Medium Term Financial Strategy 2025/26 to 2029/30 needed to be documented, recalculating the medium-term budget gap to allow appropriate action and mitigation to be taken to ensure financial sustainability. Officers have stated that this will be presented to Cabinet in November 2024, however at the date of writing we have not been provided with the document and so cannot comment upon it. We therefore consider that the significant weakness and key recommendation related to this that was reported in 2022/23 remain open. More information can be found on page 16.

We also consider that there is a need to refine short and medium-term financial planning to include sensitivity analysis to better identify the timing and scale of financial pressures and raise Improvement recommendation 1, see page 18.

Within 2024/25, the Council is reporting revenue budget pressures, similar to many other local authorities. Monthly revenue budget monitoring reporting ensures that Members are kept informed of the current position and mitigations that have been identified. The Council is also working with senior and middle managers, as well as Members, and undertook an all-staff Q&A session to ensure that everyone understands the financial challenge, what is being done about it and what their role is. It will be essential to ensure that the Council can mitigate any continuing revenue budget pressures in order to deliver a balanced outturn.

R

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

The Plymouth City Corporate Plan 2023-28 sets out the Council's vision of Plymouth being 'One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'. This was approved by Full Council in June 2023. 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 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 ensures resource allocation is in line with Plymouth's priorities, noting as identified above that this needs update to reflect the current financial position.

As above, the latest MTFS was produced in September 2023, and it is essential that the MTFS is revised regularly with more detailed analysis of the impact of the interlinking financial elements of financial planning. See Key Recommendation 1. The improvement recommendation "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", raised in our 2022/23 Interim Auditor's Annual Report, remains outstanding.

A

# Financial sustainability (continued)



We considered  
how the Council:

Commentary on arrangements

Assessment

Plans to bridge its  
funding gaps and  
identifies achievable  
savings

Whilst there were some savings resulting from the transformation of services in Adults and Children's Services in the year under review, these demand led services overspent significantly in 2023/24 and continue to do so to date in 2024/25. As reported on the previous page, the Council is forecasting a net revenue overspend for 2024/25 of £6.697 million, assuming all currently identified mitigations deliver the benefits that they are envisaged to.

The Council is in the process of identifying savings to balance the significant budget gap of £22 million in 2025/26 (reported provisionally as £17.3 million in the MTFF), but these have not yet been fully costed and articulated. This will include transformation of services, but it is not currently clear if this can be delivered to the scale and pace required to support the Council's financial sustainability and transformation projects are not yet brought together into a single, cohesive plan. Given the importance of transformation in securing financial sustainability, we have identified a significant weakness in arrangements and raise key recommendation 1, see page 17.

As previously noted, a balanced budget position was delivered in 2023/24, however this involved the use of some significant one-off measures. These are less effective in addressing the medium-term budget gap given their nature, and the Council does not clearly identify the split between recurrent and non-recurrent savings within its reporting. See improvement recommendation 2 on page 18.

R

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

Our Improvement Recommendation, raised in the 2022/23 Interim Auditor's Annual Report, stated that "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."

Given the Council's financial challenges, the planned transfer to reserves of £350k in 2022/23 and 2023/24 has not been affordable as the Council has used those planned monies to help balance the books. There was also a proposed transfer of £750k in 2024/25 which is at risk given the currently forecast revenue overspend. The Medium-Term Financial Strategy 2023/24 - 2027/28, approved in September 2023, stated the Council's intention to work towards restoring a minimum 5% Working Balance. On 31 March 2024 it stands at £8.7m (although at the time of writing this is not supported by audited financial statements since 2019/20) which equates to approximately 3.6% of the Council's net revenue budget. It would need to be £13.4m, an increase of £4.7m to equate to the Council's minimum level of 5% which is still in the bottom quartile of its "family" of unitary authorities.

There is a £1 million transfer planned for 2025/26, but this may be at risk given the need to balance the 2025/26 budget. There are no planned transfers to the General Fund working Balance in 2026/27 or futures years to date. Our 2022/23 improvement recommendation therefore continues to need to be addressed.

A

# Financial sustainability (continued)



## We considered how the Council:

### Commentary on arrangements

### Assessment

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council 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. However, of the five-year capital programme, 61% is funded through borrowing which puts a significant strain on the Council's revenue budget. In March 2024, the programme was re-profiled in light of the economic environment (increasing inflation and interest rates) and changing priorities. The March report amended the Capital Programme for the period 2023/24 to 2027/28 to £398.2m. External borrowing had still risen by £97m to a total £649.5m, in 2023/24, which means an additional £7.3 million per annum to be added to the recalculation of the 2025/26 to 2029/30 MTFS.

The Council's People Strategy also considers financial planning with plans to reduce agency staff and improve retention in substantive posts, especially in Children's Services where achieving a stable and experienced workforce is the cornerstone of its improvement work. The Council is engaging in a redesign of services in Adults and Children's Services to favourably impact financial planning in the medium term.

We were therefore satisfied that the financial planning process considers other plans such as capital and workforce.

G



# Financial sustainability (continued)



## Significant weaknesses identified in Financial Sustainability arrangements

### Medium-term financial challenge to close the budget gap

We raised the following key recommendation in our 2022/23 Interim Auditor's Annual Report, presented to the Council's Audit and Governance Committee in March 2024:

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.

In the seven months since we last reported, a new Medium Term Financial Forecast (MTFF) was taken to the July 2024 Cabinet. This was a document that discussed the Council's past financial history, its financial achievements and the financial assumptions that could be included in a revised MTFS. The MTFF updated funding and cost projections for latest estimates, but did not clearly set out any savings, or how these projections would be closed and therefore the September 2023 MTFS remains the most up-to-date financial strategy that the Council has produced, at the time of writing

Officers reported to the Audit and Governance Committee in July 2024 that they planned to take a revised MTFS to Cabinet in September 2024, although this subsequently slipped to November 2024 and at the time of writing no updated MTFS was available to be shared. The Council cites the calling of the General Election having slowed progress in addressing this recommendation. As such, we do not consider that this 2022/23 Key Recommendation and significant weakness remain open.

We assessed the following indicators of financial stress in our 2022/23 Interim Auditor's Annual Report, which are replicated below **and include the comparative figures for the 2023/24 outturn and 2024/25 forecasts in bold to show how the Council's medium-term financial position continues to deteriorate since we last reported:**

- 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; **2023/24 outturn, although balanced, required a drawdown of £1.953m of usable reserves and the use of £9.307m of Corporate resourcing adjustments.**
- For 2023/24, a forecast adverse outturn position, at month 9, of net £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. **See above for 2023/24 outturn. At Month 5, the Council is reporting a 2024/25 forecast revenue outturn overspend of £16.687 million, of which £6.697m currently has no mitigation identified. The remaining identified mitigations are amber rated and therefore not guaranteed to deliver.**
- 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 unachieved savings for 2023/24 at outturn were £3.648 million, which will need to be found in 2024/25 and future years. For 2024/25, savings targets are lower at £3.696 million, although at Month 5 the Children's Services savings of at £1.096 million are red RAG rated as "undeliverable".**
- Increasing levels of demand leading to future cost 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 latest funding gap is likely to have widened with the impact of the 2023/24 outturn and the latest 2024/25 forecasts. It is of concern that this has yet to be calculated in the first six months of the 2024/25 financial year as recommended.**
- 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 cost £4.1 million a year to service. **This in-year revenue cost has increased to £7.4 million a year in 2024/25.**

It is critical that the forecast revenue overspend in 2024/25 can be fully mitigated. The underlying drivers for the overspend also need to be factored into the updated MTFS.



# Financial sustainability (continued)



## Implementation of the Council's Transformation Programme at scale and pace and cohesive reporting of progress on this

The February 2023 feedback from the return of the 2022 LGA Corporate Peer Challenge (CPC) team recognised 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”.

Our 2022/23 Interim Auditor’s Annual Report Key Recommendation 1 included the following:

“... Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.”

Since we reported the recommendation in March 2024, there have been updates on Children’s services taken to Cabinet meetings, including the “Achieving Excellence” children’s strategy 2024-27 in July 2024, and an update in September and October 2024. As was required for all local authorities, the Council also produced its Productivity Plan that went to Cabinet in July 2024, setting out historic achievements and including a short summary of what transformation it plans.

Transformation projects are discussed at the Council’s monthly change board, as well as Senior Leadership Team (SLT) meetings. From a review of change board agendas, we can see that officers do consider programmes within the current transformation portfolio, how they are prioritised and the enabling services projects and support that sit beneath these including automation and new ways of working.

Whilst the Council is engaging in some transformation within Adults and Children’s services, with the latter formulating into the new Children’s strategy in the 2024/25 financial year, the Council has yet to publicly articulate a single council-wide transformation plan, including a pipeline of schemes and savings developed. The Council’s current MTFS 2023/24 to 2027/28 states that “Transformation Portfolio and Corporate Support Services, as well as playing a key role in supporting the demand-led services with financial, legal, procurement and HR expertise, will be reviewing their own operating models.” However, it is not yet clear how these benefits will be delivered to the scale and pace required to support the Council in maintaining financial sustainability.

### Key recommendation 1:

The Council should report a council-wide transformation plan at sufficient scale and pace to demonstrate that it is able to address the significant structural budget deficit. This should include:

- cohesive reporting to Cabinet on the planned resourcing, timescales, milestones, savings and outcomes from its council wide transformation programme, bringing together work planned and delivered by directorates; and
- detailing the planned annual savings and how these reconcile to the forecast savings required in the revised Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30.

# Financial sustainability (continued)



## Areas for improvement

### Sensitivity analysis for robust modelling of the timing of financial pressures

The Council's financial model that underpins the MTFS would benefit from being updated to include sensitivity analysis on key assumptions for significant income and expenditure items, identifying the best, likely and worst-case scenarios. This would provide a more transparent picture to Members of the potential annual funding gaps, council tax and business rate levels to allow more informed decisions.

Within any unitary council's MTFS, the interrelated factors comprise a complex calculation which means there is a risk that modelled income could be overstated and potential costs understated. For example, the Council use of a 97.5% income tax collection rate in the latest MTFS, when the Council's actual income collection rate for the last three years has been 96.5%. This difference equates to a potential overstatement of council tax income of approximately £1 million each year in the current MTFS. By clearly setting out the sensitivity of such key assumptions, the MTFS will articulate more clearly potential future financial outcomes or challenges.

Departments could also model levels of demand depending on service provision, and the impact of the transformation programme to further increase transparency.

**Improvement recommendation 1:** The MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.

### Identification and reporting on the level of recurrent savings

The Council does not adequately identify those savings which are recurrent and those which are non-recurrent. Its year end measures to balance the annual outturn are likely to be one-off measures which do not benefit the medium-term financial position of the Council on an on-going basis.

**Improvement recommendation 2:** The Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.

# Governance



## We considered how the Council:

### Commentary on arrangements

### Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>Risk management arrangements have been developed significantly in 2023/24, with new risk recording, monitoring and reporting processes put in place, including the use of live risk registers. Internal audit provided an opinion of reasonable assurance for Risk Management arrangements at the Council.</p> <p>In March 2024 there were 26 strategic risks on the Corporate Risk Register, however there were some inconsistencies on the register which implies that the risk register needs a more in-depth review by the Corporate Management Team (CMT) as part of their quarterly review. Examples are given on page 21, along with improvement recommendation 3.</p>	A
Approaches and carries out its annual budget setting process	<p>The Council maintains a satisfactory annual budgeting process in terms of analysing its financial position, documenting the intended income and expenditure and setting savings goals to balance the budget for the year to come. Cabinet, Scrutiny and Council have an active role in scrutinising financial plans, budget principles and assumptions. The Council's stakeholders are also consulted as part of the budget setting process to allow meaningful input to plans.</p> <p>The Council approved a balanced budget for financial year 2024/25, following a process of scrutiny. At the draft budget stage in November 2023 there were additional resources of £15.954 million identified, but with Corporate and Directorate budget adjustments totalling £18.312 million, the budget shortfall stood at £2.358 million. This budget gap was closed once the detail of both the Autumn Statement and the Provisional Settlement was known and analysed in December 2023, and the draft budget had been reviewed by Cabinet and Scrutiny. When the 2024/25 budget was approved in February 2024 the Council noted that financial pressures will continue to provide a challenge, and it will need to deliver savings plans and work within the budget allocations.</p>	G

# Governance (continued)



We considered how the Council:	Commentary on arrangements	Assessment
Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council's monthly budget monitoring reports provide Cabinet with a clear understanding of the Council's financial position in-month and year to date, as well as forecasts for the year-end. The minutes of the Cabinet meetings indicate that discussions and challenges focused on the areas of greatest variance, demonstrating a clear understanding of the areas requiring management and Member attention. Corrective action is taken where needed and budget overruns in demand led services such as Adults and Children's are covered by a transfer from the Council's earmarked budget management reserve.</p> <p>The Council is working with MHCLG (Ministry of Housing, Communities and Local Government) to resolve an outstanding technical issue relating to the Statement of Accounts for 2019/20. The Pension Deficit Accounting Transaction took place in the financial year 2019/20. Once this issue has been resolved, the Council will have to adjust the Statement of Accounts for 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 to account for this transaction. Our work on the Council's 2023/24 financial statements began in October 2024 and we anticipate issuing our audit opinion by the end of February 2025, in accordance with the proposed backstop arrangements.</p>	G
Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Council's internal control framework. The Council has arrangements in place to ensure it makes properly informed decisions, supported by appropriate evidence, which allow for challenge and transparency.</p> <p>The Cabinet handles strategic decisions after considering detailed reports to Council. The Scrutiny Committees investigate local policies, risk and performance, leading to reports and recommendations for the Council. The Council's Monitoring Officer ensures public access to decisions and relevant reports. Cabinet papers show sufficient detail to support key decisions. The Council's governance arrangements, including the roles of the Council, the Cabinet, the three Scrutiny Committees, the Audit and Governance Committee and regulatory committees, are detailed in the Constitution.</p> <p>The Audit &amp; Governance Committee self-assessment is still outstanding, however the process began at the September 2024 Audit and Governance Committee.</p> <p>We raise improvement recommendation 4 on age 21, relating to enhanced reporting in the Council's annual fraud report.</p>	A
Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	<p>The Standards Committee ensures that all councillors and officers of the Council perform their duties within agreed codes of conduct. Members of the Committee work together to promote the importance of high standards of behaviour and systems of governance to create a climate where complaints or problems are rare. From our review of the Council's exemption from tender tracker (waiver report), we consider that waivers are maintained at an acceptable level and signify sound arrangements in procurement planning.</p>	G

# Governance (continued)



## Areas for improvement

### Improvement required in the consistency of information in the Council's Risk Register

In March 2024 there were 26 strategic risks on the Corporate Risk Register, however there were some inconsistencies on the risk register which implies that the risk register needs a more in-depth review by the Corporate Management Team (CMT) as part of their quarterly review. For example:

- the finance risk of "Council's expenditure exceeds the resources available to meet that expenditure within the medium-term financial plan period 2022/23-2025/26" is quoting the wrong financial year as well as the score being reduced from 25 to 16 when the Council's needs to update its MTFS;
- Internal audit produced five limited SEND assurance reports (with 21 high risk recommendation on SEND Governance, Decision Making, Commissioning & Contracting; and Provision Monitoring & Evaluation) and the Council is under a Statutory Improvement SEND notice, however SEND does not appear on the Council's Strategic Risk; and
- the effectiveness review of the Council's 20 companies has not been fully completed as planned, so the risks around the Council's Companies should be assessed and, given their significance in terms of service delivery, be included on the risk register as appropriate.

**Improvement recommendation 3:** The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date. This should be done through better triangulation with other information, to remove inconsistencies in scoring and improve understanding of the risks around the Council's operations.

### Summary reporting the outcome of fraud referrals to the Audit and Governance Committee

The 2023/24 Annual Counter Fraud Report, presented to the Audit and Governance Committee in July 2024, showed that the Counter Fraud Services Team (CFST) received 293 (277 in 2022/23) referrals in the past 12 months covering areas such as tenancy fraud, blue badge fraud, and parking permits. The CFST has 33 live investigations (101 in 2022/23) and continues to support service areas that require data analysis and monitoring. Individual investigation details cannot be disclosed due to the sensitivity of the information.

However, there is room for improvement, as the outcomes of the 293 referrals during 2023/24 were not reported in terms of how the high-level issues were managed and what subsequent improvements were made to internal control to prevent similar issues occurring. The reporting would give the Audit and Governance Committee the assurance that issues were being successfully resolved.

**Improvement recommendation 4:** The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.

# Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

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

We concluded there was a significant weakness in arrangements to deliver good quality Children's Services within the 2023/24 financial year, as the Council was in Secretary of State (SoS) Intervention for 11 months of the financial year. This follows a significant weakness being identified in the interim version of our 2022/23 Auditor's Annual Report, which we reported to the Audit and Governance Committee in March 2024.

The Council and its partners received a further Improvement Notice in November 2023 following a joint local area SEND inspection.

The Council can evidence improvement in services during 2023/24, with arrangements put in place promptly to address issues raised in the Improvement Notice. It has also approved an updated children's strategy within the 2024/25 financial year. See pages 24 and 25 for more information.

R

Uses financial and performance information to assess performance to identify areas for improvement


The Corporate Plan Performance Report is presented on a quarterly basis to the Cabinet and Scrutiny Committees and to the Corporate Management Team (CMT) on a monthly basis. Key performance indicators are used to track delivery of the Council's priorities as outlined in the Corporate Plan. Targets go through CMT and are then agreed with Portfolio Holder. These are monitored using a RAG rating, with a margin of 15% used to determine the RAG rating in respect of risk of delivery. The Council's Performance and Accountability Framework underpins this approach and is due for review in 2024 as it was last updated in July 2021. We raise improvement recommendation 5 on page 26 to ensure that new KPIs are stretching.

In 2023/24, performance challenges included an increase in the percentage of children previously on child protection plans, an increase in staff sickness days, and an overspend of £11.63m in Children's Services due to specialist residential placements and SEND school transport.

To mitigate the risk of adult placement providers withdrawing services, the Council engaged in regular communication with providers and participates in benchmarking with other local authorities through regional groups. The Q4 2023/24 performance report to the Education and Children's Social Care Overview and Scrutiny Committee includes benchmarked KPIs, indicating a commitment to benchmarking costs and performance against similar bodies.

A

# Improving economy, efficiency and effectiveness (continued)

<div><div><div>We considered how the Council:</div><div>Commentary on arrangements</div><div>Assessment</div></div></div>	
<div>Commissions or procures services, assessing whether it is realising the expected benefits</div>	<div><p>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. The Council has responded to our recommendation and produced a Procurement Strategy 2024 – 2026 which was presented to the July 2024 Audit and Governance Committee. Procurement activity had been monitored since the last refresh in 2020 and it had been found that most quotations were between £10k-£15k, a threshold seen across other local authorities.</p><p>The Council's Procurement Strategy aligns with both national and local priorities and considers anticipated government legislative and policy changes. It is divided into three parts: the Council's strategic procurement framework of category management, nine strategic procurement themes to be executed within this framework, and five key enablers essential for the successful implementation of the strategy. Per the report, a contract management framework would be created in the future to support the strategy. Improvement Recommendation 6 on page 26 refers to reporting to the Audit and Governance Committee of the Council's Procurement Readiness Action Plan.</p></div> <div>A</div>
<div>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</div>	<div><p>The Council's financial plans highlight 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 our benchmarking, evidencing that the Council is seeking to work with partners to reduce costs. 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 prioritise learning, continuous improvement, and collective accountability to ensure everyone in Plymouth plays their part in keeping both children and adults safe.</p><p>The LGA Peer Review 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.” The Council has implemented these recommendations from the Peer Review.</p><p>We comment on the work required with the ICB and other partners following the joint area SEND inspection, see page 24.</p></div> <div>G</div>



# Improving economy, efficiency and effectiveness (continued)



## Significant weakness identified in Improving economy, efficiency and effectiveness

In May 2023, the Department for Education issued the Council with a Statutory Improvement Notice requiring areas in Children's Services to be improved by the Council, following the Ofsted Focus Visit in December 2022 which found evidence of systemic inadequate practice. The Council promptly implemented an Improvement Board for children's services, and targeted support was provided by the Department for Education. Following the implementation of remedial actions and focus by the Council, it was recognised through the Ofsted Inspection of Local Authority Children's Services in January 2024 that some improvements had been made in the year. This report confirmed that the Council retained its 'require improvement' rating for Children's Services, both overall and for all sub-judgements.

The Secretary of State wrote to the Council in April 2024, confirming that they were satisfied that the Council is committed to building upon the improvements to date and closed the Improvement Notice on the understanding that children's services remain one of the key priorities for the Council. It should be noted that the turnaround from receiving the Improvement Notice to it being lifted was prompt, evidencing that the Council took the matter seriously and implemented swift, robust improvement arrangements. The closing of the improvement Notice contingent on the following to ensure an effective transition out of intervention:

1. Agreement that the Improvement Board for children's services is kept in place for a period of at least 6-months, with potential for a further extension to be kept under review in conjunction with the department.
2. That Dorset Council continue to provide peer support as the Sector Led Improvement Partners.
3. And, the department's Improvement Adviser continues for a minimum of a further 12-months with quarterly updates to the Secretary of State.

The Secretary of State also noted that "... this outcome reflects a considerable effort to bring about the rapid improvement of services over the preceding 12-months. While Ofsted's report highlights the Council's positive response in addressing serious concerns from the previous Focus Visit, it also shows that there remain areas of weakness where improvement must now be focused to ensure appropriate and consistent practice. This includes the quality and availability of accommodation, in addition to the timeliness of initial health assessments, which will need to be prioritised to ensure appropriate support and strengthened outcomes for both children in care and care leavers."

The Council continues to implement the above actions with the Children's and Young Person's Improvement Board meeting each month to discuss and monitor progress. The Children's Services "Achieving Excellence" Strategy, approved in July 2024, sets out ten priorities for service improvement and transformation, developed with children, young people and staff, and the milestones that the Council plan to achieve over the next three years. These ten priority commitments will ensure the Council can develop, sustain and embed consistently good and outstanding practice approaches, achieving the vision and transforming children and young people's lives. These improvements will require investment and careful planning to ensure that they can be delivered, and the investment required is not currently reflected in the latest Council MTFs.

The Council, the ICB and other partners were also subject to a joint CQC and Ofsted local area SEND inspection in June 2023. Following this in November 2023, a further Improvement Notice was issued in response to the areas of priority action and improvement identified through the inspection. The Improvement Notice identified that it is expected that the actions would be completed by December 2024 or sooner, and that the Improvement Notice will remain in place until sufficient progress has been evidenced and the Minister agrees to close it.



# Improving economy, efficiency and effectiveness (continued)



## Significant weakness identified in Improving economy, efficiency and effectiveness (continued)

Noting the prompt response by the Council and the continued progress to date, given the timing of the Improvement Notices and the subsequent actions taken in 2024/25, we identified a significant weakness in arrangements in place in the 2023/24 financial year and raise the following key recommendation:

### Key recommendation 2

The Council should:

- ensure appropriate arrangements are in place with partners to address the actions raised in the Joint Area SEND inspection and resultant Improvement Notice; and
- fully cost the improvements identified through the “Achieving Excellence” Strategy, approved in July 2024, and incorporate these into the Council’s updated financial plans, with relevant timeframes identified.

This will ensure that the Council continues to improve services and avoids returning to statutory action.

# Improving economy, efficiency and effectiveness (continued)



## Areas for improvement

### Setting of KPIs for each service area with stretch targets

### Reporting of the Procurement Readiness Action Plan to the Audit Committee

The Procurement Act, which will reform the existing Procurement Rules, received Royal Assent in October 2023. In March 2024, the Procurement Regulations 2024 were laid in Parliament to bring some elements of the Bill and the wider regime into effect.

On 12 September 2024, Cabinet Office announced that the Procurement Act 2023 would now commence on 24 February 2025 rather than 28 October 2024, to allow time for a new National Procurement Policy Statement (NPPS) to be produced.

The Council will need to ensure that it complies with the new legislation and reporting to Audit and Governance Committee should provide assurance that this is the case.

**Improvement recommendation 5:** The Council's Procurement Readiness Action Plan should be reported to the Audit and Governance Committee so it has assurance that the Council will be implementing the requirements of the new procurement regulations in a timely manner by the deadline of February 2025.

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



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
<b>Financial Sustainability</b>		
KR1	Key	<p>The Council should implement its plans for its council wide transformation programme at sufficient scale and pace to demonstrate that it is able to address the significant structural budget deficit. This should include:</p> <ul style="list-style-type: none"> <li>cohesive reporting to Cabinet on the planned resourcing, timescales, milestones, savings and outcomes from its council wide transformation programme, bringing together work planned and delivered by directorates;</li> <li>detailing the planned annual savings and how these reconcile to the forecast savings required in the revised Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30.</li> </ul>
<b>Improving economy, efficiency and effectiveness</b>		
KR2	Key	<p>The Council should:</p> <ul style="list-style-type: none"> <li>ensure appropriate arrangements are in place with partners to address the actions raised in the Joint Area SEND inspection and resultant Improvement Notice; and</li> <li>fully cost the improvements identified through the “Achieving Excellence” Strategy, approved in July 2024, and incorporate these into the Council’s updated financial plans, with relevant timeframes identified.</li> </ul>

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

# Recommendations raised in 2023/24 (continued)

Recommendation		Type of recommendation *	Actions agreed by Management
<b>Financial Sustainability</b>			
IR1	The MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.	Improvement	Actions: Responsible Officer: Due Date:
IR2	The Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.	Improvement	Actions: Responsible Officer: Due Date:
<b>Governance</b>			
IR3	The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date. This should be done through better triangulation with other information, to remove inconsistencies in scoring and improve understanding of the risks around the Council's operations.	Improvement	Actions: Responsible Officer: Due Date:
IR4	The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.	Improvement	Actions: Responsible Officer: Due Date:

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

# Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation *	Actions agreed by Management
Improving economy, efficiency and effectiveness		
IR5 The Council's Procurement Readiness Action Plan should be reported to the Audit and Governance Committee so it has assurance that the Council will be implementing the requirements of the new procurement regulations in a timely manner by the deadline of February 2025.	Improvement	Actions: Responsible Officer: Due Date:

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

# Appendices

# Appendix A:

# Responsibilities of the Council

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

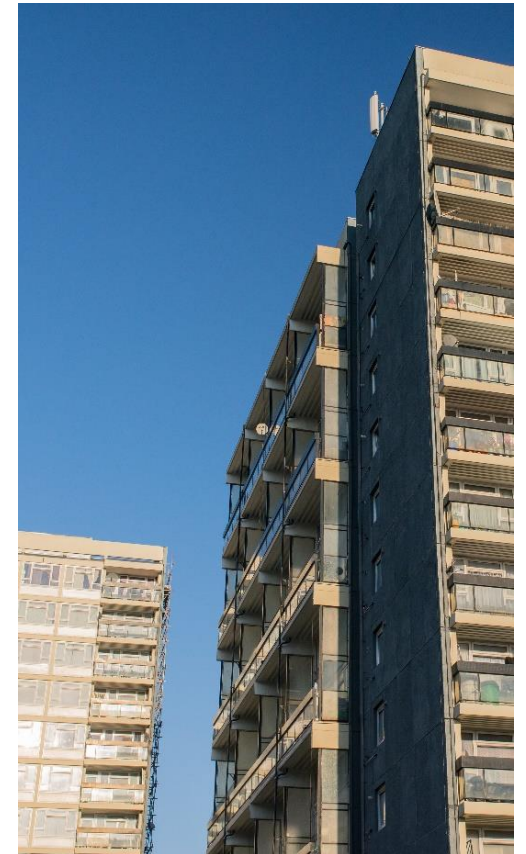
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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





# Appendix B:

## Value for Money Auditor responsibilities



### Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

#### Financial Sustainability

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

#### Governance

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

#### Improving economy, efficiency and effectiveness

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

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

### Phase 1 – Planning and initial risk assessment

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

#### Information which informs our risk assessment

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

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

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

### Phase 3 – Reporting our commentary and recommendations

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

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

# Appendix C:


## Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p><b>Financial Sustainability</b></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 (MTFS), 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.</p>	Key	March 2024	<p>An updated Medium Term Financial Forecast (MTFF) was presented to Cabinet in May 2024. The report set out the current assumptions and resultant financial pressures.</p> <p>A revised MTFS will be presented to Full Council to approve in November and presented to Scrutiny in December 2024. Thereafter, the MTFS will be updated and presented with the annual Budget at the February meetings.</p>	No – as the MTFF detailed assumptions, but there was no calculation of an updated medium term financial gap.	Recommendation remains open
<p><b>Improving economy, efficiency and effectiveness.</b></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&amp;S Committee.</p>	Key	March 2024	<p>Agreed – the 2024/25 Budget includes additional investment in Children's Services. There is a monthly Children's Transition Board, from June 2023, which reviews all data and measures outcomes. This will be clearly set out in the revised MTFS</p>	Partially – Improvement Notice lifted April 2024 but not fully costed into MTFS and need to ensure improvements are embedded and continuous	See Key Recommendation 2 in 2023/24

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

# Appendix C:


## Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 <b>Financial Sustainability</b>					
<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	March 2024	Revised reporting will be introduced from Month 2 (May) 2024 as part of the 2024/25 reporting cycle.	Yes	No
<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	March 2024	<p>An updated MTFF was presented to Cabinet in May 2024. The report will set out the current assumptions and resultant financial pressures.</p> <p>A revised MTFS will be presented to Full Council to approve November 2024. Thereafter, the MTFS will be updated and presented with the annual Budget at the February meetings.</p>	No	Recommendation remains open
<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	March 2024	The revised MTFS will set out our plans. The S151 officer has introduced a formal quarterly review of all reserves and provisions as part of the monitoring cycle.	No	Recommendation remains open

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

# Appendix C:


## Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 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	March 2024	The Corporate Management Team have completed a risk identification workshop in relation to the corporate plan priorities, cognisant of change of administrations in both Local and National government. Further workshops are planned in respects of operational risks and to confirm risk treatments. Corporate Priorities have been linked to each of the risks on the Strategic Risk Register, which will change in light of the above workshops. Operational Risk Register will be linked to corporate priorities as and when risks are added / updated.	Yes	No
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	March 2024	Further updates were made to the Risk Register as presented to the Audit Committee in March 2024. It provided a view of risks against our stated risk appetite. Movement in risk since the last quarter and detailed mitigation for all risks. Response to risk is also scrutinised in our scrutiny committees, allowing for granular consideration of the issues.	Yes	No
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	March 2024	The returns will be consolidated into an overarching response and included in the annual statement to Council	Yes	No

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

# Appendix C:

## Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<b>Governance (continued)</b>					
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	March 2024	The Monitoring Officer will report to CMT June 2024, with a full report to Audit & Governance September 2024.	Yes	No
 <b>Improving economy, efficiency and effectiveness</b>					
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	March 2024	A Data to Intelligence Programme Board has been set up and has met 3 times. An agreed action by the end of 2024/25 is to develop a Data strategy to include data quality, this will include the data used for corporate performance monitoring. To support this, assessment against the LGA tool Local Government Data Maturity Assessment Tool   Rate your organisation's data management skills (esd.org.uk) is being used across the Council to determine our current data maturity and therefore areas for improvement	No	Follow-up implementation by 31 March 2025 as part of 2024/25 VFM fieldwork.

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

