

# Auditor's Annual Report on Oadby and Wigston Borough Council

2022/23

16 April 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

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# Executive summary



## Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below. Our interim report was presented to the Audit Committee on 24 January 2024 and Full Council on 22 February 2024. The only changes within this report are to summarise the conclusions of our financial statements audit work on pages 33 and 34. This work had no impact upon our value for money judgements previously reported. We also note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but seven improvement recommendations made and three prior year recommendations carried forward.	A The Council addressed the 2020/21 significant weakness, but three improvement recommendations made.	↓
Governance	No risks of significant weakness identified.	A Our work did not identify any areas where we considered that key or improvement recommendations were required, but one prior year recommendation carried forward.	A The Council addressed 2020/21 the significant weakness, but six improvement recommendations made.	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	A Our work did not identify any areas where we considered that key or improvement recommendations were required, but one prior year recommendation carried forward.	A No significant weaknesses in arrangements identified, but two improvement recommendations 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.

# Executive summary (continued)



## Financial sustainability

The Council is in a challenging financial position over the medium term and is working with officials from the Department for Levelling Up, Housing and Communities (DLUHC) to present the case that it is not fairly funded. However, the Council cannot be dependent on additional government funding. Officers have identified income generation and savings schemes which, if fully implemented, would significantly improve the financial position, but difficult decisions are needed to implement these.

As Officers have identified opportunities which would significantly reduce the financial challenge we have stopped short of concluding that financial sustainability is a significant weakness in 2022/23. We have therefore not raised a “Key recommendation” but would urge the Council to take the opportunities available.

Financial planning is sound, but there is scope to enhance public reporting and the accuracy of revenue and capital budget setting. We have raised seven improvement recommendations to support the Council in this

We have noted that the Council’s latest reporting to Members in December 2023 shows a revised forecast cumulative deficit of £6.88m over the five year period 2023/24 to 2027/28 – an increase of £4.23m on the cumulative deficit of £2.64m reported in February 2023 before savings are factored in. Even if all planned savings are achieved, the Council is still estimating an underlying deficit of around £0.3m a year. We consider this is a significant deterioration in the Council’s position. As this primarily relates to 2023/24 arrangements we will report separately upon this as part of 2023/24 work.

## Governance



The Council has appropriate risk management arrangements in place and ensures that proper standards and behaviours are maintained. Members are provided with the information they need to make decisions and the internal audit service meets the Council’s needs, providing a wide range of reviews each year.

From May 2023 the composition of the Audit Committee is, in our experience, unusual and not fully aligned to best practice as laid out in CIPFA’s *Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)*. However, we have not witnessed any potential conflicts in our attendance at Audit Committee and recognise that there is no statutory requirement to have an Audit Committee, the CIPFA guidance is best practice and that the Council has some safeguards in place to support independent decision making and scrutiny. We have recommended that when rolling forward our recommendation from last year in respect of undertaking the planned review of effectiveness against best practice it consider this at the same time.



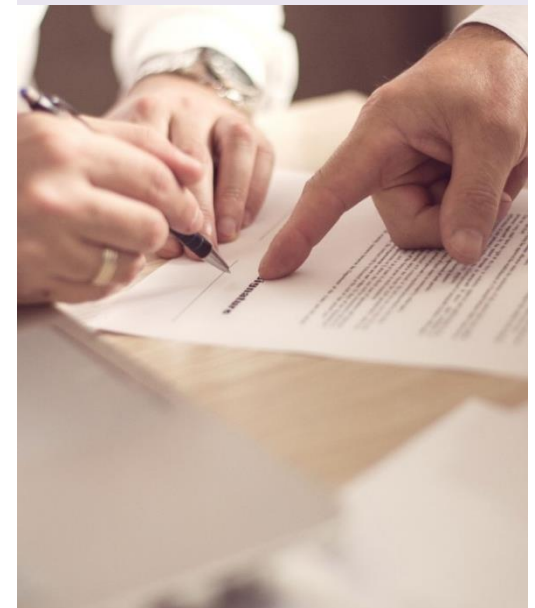
## Improving economy, efficiency and effectiveness

The Council has sound performance management arrangements in place, including ensuring that data underpinning Key Performance Indicators is accurate. The Council recognises that it can make better use of benchmarking and is working on this. Arrangements when working in partnership and commissioning and evaluating services are appropriate, including utilising external support when needed.



## Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 16 April 2024, following the Audit Committee meeting on 10 April 2024. Our findings are set out in further detail on pages 33 to 34.



# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## Statutory recommendations

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

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

## Public Interest Report

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

We did not issue a public interest report.

## Application to the Court

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

We did not make an application to the Court.

## Advisory notice

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

We did not issue any advisory notices.

- 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.

## Judicial review

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

We did not make an application for judicial review.

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

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 29.

# 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.

# The current LG landscape (continued)



## Local context

Oadby and Wigston Borough Council (the Council) covers a small geographical area of just nine square miles, two thirds of which is urban. The population of around 57,000 people is comprised around 18% people under 15 years of age and 21% over 65.

The Council has not been able to capitalise on growth within the borough. This is because the area is densely populated and there is limited opportunity for housing or employment land growth. This has meant the Council has not seen dramatic increases in council tax and new homes bonus from housing growth or additional retained business rates achieved through business growth which other councils have enjoyed.

### Council tax

Compared to peers, the Council has a high level of Band D council tax. However, the Oadby and Wigston area is unparished, and as such, this level of council tax will also be funding spending that for other councils may be funded and delivered by a parish or town council.

Whilst the Council's level of Band D is high, proportionately across the borough, the Council has a heavier weighting of properties in a lower band (bands A – C) which generate less in council tax income compared to properties in higher bandings.

Additionally, since housing growth is restricted, the Council's tax base is towards the lower quartile when compared to other Councils.

### Business rates

The Council has benefitted very little from business rates growth above the baseline – the level at which the government expect business rates to be generated. This is in contrast to some councils who have been able to retain significant amounts of rates, meaning greater opportunity to bolster reserves and remain financially sustainable.

To overcome these challenges the Council is starting to develop alternative income streams including a Selective Licensing Scheme for the housing rental market and car parking charges. The other main sources of non statutory income is garden waste collection. The Council faces considerable financial challenges and is working with government and identifying opportunities of its own to address these.



# Financial sustainability



## We considered how the Council:

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

## Short and medium term financial planning

The Council has re-established sound arrangements to support financial planning, but there is scope to further enhance public reporting by including more of the key assumptions and sensitivity analysis undertaken. In the medium to longer term the Council faces a significant financial challenge.

### 2023/24 financial planning

The Council's financial planning includes latest government funding settlements. For 2023/24 budget setting there was comparatively little change required to the final settlement owing to accurate earlier forecasts. The changes are set out in detail within reports, despite being relatively modest. The Medium Term Financial Plan 2022-27 (MTFP) includes the assumptions used. However, the revenue budget setting report in February 2023 does not clearly set out assumptions in the growth of the council tax base (through new properties being built) or business rates. Earlier versions of the report (for example December 2022) indicate that the finance and planning teams have worked together to forecast growth in the council tax base, and key assumptions are published at that time. However, the assumptions are not published alongside the budget and MTFP. The report does clearly include the earlier reports as "Background" reports though, so readers are able to review the assumptions used if they wish. We have made an improvement recommendation on the next page.

The adjacent table, taken from the Medium Term Financial Plan presented in February 2023, shows the significant financial challenge the Council faces, even it manages to deliver all of the planned savings in its 'Sustainability Plan Programme'.

Item	2023/24	2024/25	2025/26	2026/27	2027/28
<b>In-Year Budget Gap / (Surplus)</b>	422,000	271,000	810,000	686,000	457,000
<b>Cumulative Budget Gap / (Surplus)</b>	422,000	693,000	1,503,000	2,189,000	2,646,000
<b>Sustainability Plan Programme Savings</b>		- 237,000	-237,000	- 237,000	
<b>In-Year Budget Gap / (Surplus) after delivery of savings</b>	422,000	34,000	573,000	449,000	457,000
<b>Cumulative Budget Gap / (Surplus) after delivery of savings</b>	<b>422,000</b>	<b>456,000</b>	<b>1,029,000</b>	<b>1,478,000</b>	<b>1,935,000</b>

# Financial sustainability (continued)

## Short and medium term financial planning (continued)

### 2023/24 financial planning (continued)

The Council's financial planning reports include considerable detail around the funding settlement. The report also includes the proposed fees and charges for 2023/24, which underpin the £3m of locally generated income. However, there is little detail reported around how proposed increases in fees have been derived, other than to state that it is based on benchmarking or inflation. It is also unclear whether any sensitivity analysis has been conducted to assess whether the increase in costs to users is likely to lead to reduced demand.

A presentation to the Member' workshop in September 2023 and the Policy, Finance and Development Committee in December indicates that the assumptions used are reasonable, and the Council has used external advisors as appropriate - for example - on the savings that could be achieved by moving to alternative weekly bin collections.

In our prior year report we made an improvement recommendation "*Ensure that there is greater transparency in the budget setting process of the consideration of trends and risks and their impact on projected financial outturn, and of alternative proposals and scenarios.*"

While this has been addressed internally, it could be clearer in public reporting. Improving clarity on the assumptions around income will support readers to form a judgement on whether they are realistic. This is an area for improvement and we have made a recommendation below.

The Council's financial planning report from February 2023 states that inflation has been included based on the Office for Budget Responsibility forecast from November 2022. However, the report does not state what the rate is, or whether the Council still considers it appropriate three months later. It is also unclear that one rate would apply to all expenditure categories, except pay. An earlier version of the report, from December 2022, states that pay costs have been assumed to increase by 3.5%. We would expect to see these key assumptions clearly set out and considered in the budget setting report. Improving clarity on the assumptions around expenditure will support readers to form a judgement on whether they are realistic and we have made a recommendation below.

The Council should enhance its public reporting of financial planning by including more detail on the work that has taken place to develop key assumptions and any sensitivity analysis, especially around increased charges for services it provides.

Senior finance staff present regular sessions to Members so that they are informed of latest challenges and opportunities.

The Council undertakes appropriate cash flow forecasting covering a sufficient period. However, the cash balance is forecast to decrease from £15.5m at 1 April 2022 to £0.025m at 31 March 2024. This includes the repayment of £16m of borrowing which will need to be replaced as appropriate. A further £16.5m of borrowing is due for repayment on 1 April 2024.

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

	2022/23	2021/22
Planned revenue expenditure	£6.5m	£7.1m
Actual revenue expenditure	£7.0m	£6.8m
Planned capital spend	£10.9m	£14.1m
Actual capital spend	£4.6m	£3.5m
Year-end cash position	£3.8m	£13.2m

# Financial sustainability (continued)

## Short and medium term financial planning (continued)

### Financing carbon reduction

The adjacent text box sets out some of the carbon reduction challenges all councils face. The Housing Revenue Account (HRA) capital programme for 2023/24 includes £0.51m slippage from 2022/23 in relation to match funding the Social Housing Decarbonisation Fund - to reduce carbon emissions in 130 council houses.

The Council's "Environment Strategy and Action Plan", updated in December 2022, includes many references to carbon reduction, but it is clear that there is no specific budget for this, and that projects are evaluated, including cost, on a piece meal basis. Given the size of the Council, this is reasonable.



### Carbon reduction

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

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

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

# Financial sustainability (continued)

## Identifying savings

The Council is in a challenging financial position and is working with officials from the Department for Levelling Up, Housing and Communities (DLUHC) to present the case that it is not fairly funded. Officers have identified income generation and savings schemes which, if fully implemented, work significantly improve the financial position. Difficult decisions are needed. There is also scope to improve reporting of delivery of these schemes.

In its February 2023 report the Council was forecasting a cumulative deficit of £2.64m over the five year period 2023/24 to 2027/28. Of this, £0.422m is in 2023/24, on expenditure of £7.5m (5.6%). The Council has developed a "Sustainability Plan Programme" (SPP) to deliver savings. At February 2023 £0.711m had been identified in the period 2024/25 to 2026/27 to leave the cumulative budget gap at the end of 2027/28 as £1.935m (see Table on page 9).

The Council's latest reporting to Members in December 2023 shows a revised forecast cumulative deficit of £6.88m over the five year period 2023/24 to 2027/28 – an increase of £4.23m on the cumulative deficit of £2.64m reported in February 2023 (before savings from the SPP are factored in). Reserves which could be set against the forecast deficit are expected to be £1.667m at 31 March 2024. The forecast deficit for 2024/25 of £1.267m is 14% of Net Revenue Expenditure. Through its SPP the Council believes it has identified £1.267m of annual savings from 2024/25 but, even if they are all achieved, the Council is still estimating an underlying deficit of around £0.3m a year (whereas previously small surpluses were being forecast if all savings were achieved). We consider this is a significant deterioration in the Council's position. As this primarily relates to 2023/24 arrangements we will report separately upon this as part of 2023/24 work.

The 2023/24 budget setting report shows that £0.200m of the savings were achieved in 2022/23 through reviewing earmarked reserves. This is not a genuine saving - it is one-off use of reserves, albeit that they may no longer be needed for their original purpose. There is a total of £0.500m for "service reviews", of which £0.050m is scheduled for 2023/24. The report is transparent in that it is unclear where this will be achieved. While the uncertainty around this is therefore clearly reported, we would recommend that schemes are only included in finance plans or reports once they are fully worked up and savings can be reliably forecast. This is an improvement area and we have made a recommendation.

The Council should only include savings or income generation schemes in financial plans when they are fully worked up and, ideally, have been approved by Members.

The table below, taken from the Medium Term Financial Plan presented in February 2023, shows the significant impact on Council reserves, even it manages to deliver all of the planned savings in its 'Sustainability Plan Programme'.



# Financial sustainability (continued)

## Identifying savings (continued)

In our prior year report we made an improvement recommendation “Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.”

Savings plans are not yet fully worked up, are currently insufficient to bridge the forecast deficit, and the Council is reliant on the use of reserves over the next five years. The February 2023 report forecasted that reserves will be used up during 2026/27 (revised to 2025/26 in December 2023), even if all of the anticipated and currently agreed savings are realised. This therefore remains an area for improvement.

The Senior Leadership Team and Corporate Management Team have identified a range of potential savings and income generation opportunities. Key Members have been engaged from an early stage, with a series of workshops held for all Members to raise awareness. Opportunities include increasing the cost of various services and car parking charges, stopping two discretionary services (£0.150m a year saving), reducing staff numbers, increasing the cost of green waste collection (£0.110m a year generated) and introducing alternate weekly bin collections (£0.240m a year saving). The opportunities total around £1.2m per year. Of these Officers anticipate that £0.7m will be the most difficult for Members to agree. But the Council needs to achieve all of the savings and income generation opportunities identified in order to achieve financial balance, even if there are no further unexpected pressures or costs, which is highly unlikely. Officers therefore need Member support to take difficult decisions in order to ensure that the Council remains financially stable. This is an improvement area and we have made a recommendation.

Officers and Members need to work together, taking difficult decisions where required, to ensure that the Council is put on a more financially stable longer term footing.

## The need for contingency

The Quarter One 2023/24 Budget Monitoring Report to the September 2023/24 Policy, Finance and Development (PFD) Committee forecast an outturn deficit of £0.282m against a breakeven budget. This represented 4.1% of the revised revenue budget of £7.6m. The December 2023 Quarter Two Report shows a worsening position with a forecast deficit of £0.488m.

The report sets out the main reasons, including an increase in cost to support the homeless of £0.397m, £0.254m in leisure services, £0.119m staff vacancy savings not achieved, £0.147m pay awards being higher than budgeted, £0.123m of permanent salary staff savings offset by interim agency costs on essential posts and £0.118m errors in setting the original budget. These are offset to some degree through savings in capital financing charges of £0.417m due to minimum revenue provision savings and slippage in capital programme funding requirements and £0.206m of grant funding to support homelessness.

The Council is therefore failing to maintain expenditure within budget in 2023/24. This makes the need for developed savings plans even more important, so that some contingency is built in.

The Council met with officials from the Department for Levelling Up, Housing and Communities (DLUHC) in May 2023 to present the case that it is not fairly funded. Further work and comparison was requested, which the Council has done, and it is now seeking a further meeting in the hope of securing additional grant funding. This has been delayed as a result of a re-organisation within DLUHC. The Council is now engaging with the new representative and continuing to liaise with other councils and national bodies.

## Reporting savings

In our prior year report we made an improvement recommendation “Progress with delivering the recently agreed Sustainability Plan which needs to be monitored and reported to the Policy, Finance and Development (PFD) Committee.” The Council's MTFP explains that the regular finance reports to the PFD Committee will be extended to include reporting on the progress of delivery of the Sustainability Plan. Throughout 2022/23, including the outturn report to the June 2023 meeting, there is no evidence of this. The Quarter One and Quarter Two 2023/24 finance report to September and December Committees include a brief section. As the Council implements additional savings and income generation schemes it will need to enhance the public reporting of these. It may also be easier to report them together, rather than the Sustainability Plan and other areas of savings separately - there may be overlaps. Clear public reporting is crucial to give Members the assurance they need that savings or income generation is being achieved, or corrective action being taken where not. This is especially important where Members have made difficult decisions. This is an improvement area and we have made a new recommendation as below.

The Council needs to enhance reporting against all savings and income generation plans to provide both Members and the public with assurance that progress is being made and to identify areas where corrective action is required.

# Financial sustainability (continued)

## Financial planning and strategic priorities

**There is scope to better link capital projects to the Council's priorities.**

In our prior year report we made an improvement recommendation "Consider distinguishing between core statutory services service and discretionary service costs in financial plans."

The MTFP presented in February 2023 includes a chart showing the expenditure on statutory and discretionary services, noting that discretionary services generate £0.600 of income. The report states "Further work will be undertaken so that a more in depth analysis on the total spend of individual Core Statutory and Discretionary Service areas can be shared in future." Statutory expenditure is shown as £8m. The Council has addressed this recommendation.

The budget setting report includes the capital programme for both the general fund (£2.3m in 2023/24) and Housing Revenue Account (HRA) (£4.9m in 2023/24). The information reported includes a narrative update on each scheme. Within this the Council should consider including how the project will support delivery of the Council priorities. This is an area for improvement and we have made a recommendation.

The Council should enhance public budget setting reporting to clearly demonstrate how major investments – capital or revenue – will contribute to achieving the Council's priorities.

## Financial planning and other operational plans

**The Council has further work to do in order to reduce overspends on the revenue budget and underspends on the capital programme.**

### Capital programme

There has been significant slippage on the capital programme. The total capital budget for 2022/23 was initially set at £10.905m, but only £4.643m was spent. While the reasons for this have been reported each quarter the actual expenditure represents only 43% of the original plan. The reasons are clearly set out in quarterly reports, with the reasons being reasonable.

In our prior year report we made an improvement recommendation "Ensure quarterly capital programme monitoring reports include the re-allocation of budgets to alternative schemes. All schemes incurring expenditure should have a budget." This recommendation has been addressed.

### In year financial reporting

In our prior year report we made an improvement recommendation "Improve the accuracy of in-year forecasting of the financial outturn to prevent unexpected significant swings in the forecast position during the year and particularly between the quarter three and quarter four reports."

The original general fund revenue budget for 2022/23 had been to achieve a breakeven position with the use of £0.125m of earmarked reserves. At Quarter One, the forecast deficit was £0.644m, but this was without the

use of reserves, so would have been £0.519m had the £0.125m initially planned been applied. The Quarter Two position was broadly the same, but by Quarter Three had worsened to a forecast deficit of £0.425m, after applying £0.346m of reserves. The provisional outturn position was £0.439m deficit after applying £0.324m of reserves. This means that the Council applied £0.200m more of earmarked reserves than initially planned and made a deficit of £0.439m compared to a break even plan. The position was therefore £0.639m worse than initially planned. Net revenue expenditure is £6.970m for 2022/23, which means that the unplanned deficit was 9% of expenditure. The Quarter Four report states "The main cause of the overspend relates to pay inflation for implementing the national pay award and reduced management fee from the Leisure Centre Operator." The latter resulted in a £0.202m variance.

This remains an improvement area and we have broadened our recommendation as below.

The Council needs to ensure that both revenue and capital budgets are realistic and achievable to avoid significant revenue overspends or capital underspends.

In our prior year report we made an improvement recommendation "Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports." The Council proposed to implement this after the local elections in May 2023. It has therefore not been done in 2022/23. The Quarter One and Two 2023/24 Budget Monitoring Reports to the September and December PFD Committees do not include the recommended information. This remains an area for improvement.

# Financial sustainability (continued)

## Financial planning and other operational plans (continued)

### Treasury management

The MTFP clearly sets out the contribution that treasury management makes to financial planning, including ensuring adequate cashflow and providing funding for the capital programme, while investing any surplus funds. The Treasury Management Policy is clear that the Council has a low appetite to risk in this area, and will invest funds with low risk counterparties.

### Managing risks to financial resilience

The Council has appropriate arrangements to use scenario or sensitivity analysis to model the impact of changes in key assumptions on the financial position.

As reported previously, the Council plans to use reserves to manage financial risk. We have recommended that further plans are brought forward to lessen the use of reserves and increase financial sustainability.



# Financial governance

## Annual budget setting

The Council has appropriate arrangements in place to consult on the budget but, as reported on page 14, needs to improve accuracy.

In our prior year report we made an improvement recommendation “Engage with external stakeholders on options and considerations as part of the 2023/24 budget setting process.” Consultation on the budget for 2023/24 consisted of statutory and public consultation between 14 December 2022 and 27 January 2023. Public consultation was online, with 85 responses. These are set out in detail, as well as summarised in public reports.

The Council has appropriate arrangements in place to consult with stakeholders over the budget. This includes with trade unions, the Federation of Small Businesses and the public. The responses are included in full in the budget setting report, which provides a high degree of transparency. Our recommendation has been addressed.

The Council has an incremental approach to budget setting, meaning that the prior year budget is rolled forward and adjusted for known changes. The budget setting report clearly explains these changes and demonstrates an appropriate level of analysis and consideration.

## Budgetary control

The Council has appropriate arrangements in place to ensure that timely financial information is provided to budget holders, regular meetings are held with finance colleagues and agreed actions clearly set out.

### Capacity of the finance team


Our previous Auditor's Annual Report noted the historic challenges the finance team had faced, but that these were being resolved. Our draft Audit Findings Report to January 2023 Audit Committee noted that there were no significant issues, although there are a comparatively high number of audit adjustments. A new Head of Finance joined the Council in January 2023, but since then the Section 151 Officer has left, and the Head of Finance is now Acting Section 151 Officer. The Council is trying to recruit a Head of Finance again. There have also been changes at Finance Manager level, with interim staff being used and staff with limited public sector experience.

While there is no specific evidence that these staffing changes have led to the budget errors which the Council has reported, it is important that the Council finance team is fully and properly resourced in order to meet the challenges the Council faces. While the Chief Executive is aware of the challenge and taking appropriate steps to address the capacity issue this is an improvement area and we have made a recommendation.

The Council needs to ensure that it has an appropriately resourced and skilled finance team.




# Improvement recommendations

<b>Improvement Recommendation 1</b>	The Council should enhance its public reporting of financial planning by including more detail on the work that has taken place to develop key assumptions and any sensitivity analysis, especially around increased charges for services it provides.
<b>Improvement opportunity identified</b>	Improving clarity on key assumptions around income and expenditure will support readers to form a judgement on whether they are realistic.
<b>Summary findings</b>	The Council undertakes appropriate analysis and testing to arrive at reasonable financial planning assumptions but need to better communicate this publicly.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	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.
<b>Management comments</b>	<b>Agreed.</b> The budget assumptions included in the 2024/25 annual budget and MTFP were included in appendix 3 to the December report to Full Council. This will be enhanced further for the February report.


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. We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

<b>Improvement Recommendation 2</b>	The Council should only include savings or income generation schemes in financial plans when they are fully worked up and, ideally, have been approved by Members.
<b>Improvement opportunity identified</b>	Including income generation or savings schemes which are not fully developed could present Council financial plans in an overly optimistic light. It is also good practice for Members to have approved these before they are included in financial plans.
<b>Summary findings</b>	While financial planning reporting is clear that some schemes are not fully developed, it would be better not to include them at all when reporting against actual positions.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	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.
<b>Management comments</b>	Agreed. The Council (12 December 2023) considered the emerging budget position for 2024/25. Council approved a new sustainability plan (appendix 4 to the report) with some small changes. The new sustainability plan savings and income generation schemes are worked up and specific in the exception of service transformation. Work is now being completed to develop this further with an action plan being implemented before the final budget setting report in February 2024.


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. We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

<b>Improvement Recommendation 3</b>	Officers and Members need to work together, taking difficult decisions where required, to ensure that the Council is put on a more financially stable longer term footing.
<b>Improvement opportunity identified</b>	The Council is in a challenging financial position but has an opportunity to significantly improve this by making difficult decisions, particularly around reducing some services and increasing the costs for users of others.
<b>Summary findings</b>	Officers have identified a range of savings and income generation opportunities which, if taken in full, could put the Council in a much more stable financial position over the medium to long term. The Council would then need to be able to withstand any financial shocks, so may need to identify further schemes, or ensure risk can be managed through having adequate reserves available for the purpose.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	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.
<b>Management comments</b>	Agreed. The Council (12 December 2023) considered the emerging budget position for 2024/25. Council approved the sustainability plan (appendix 4 to the report) in the main, including moving to alternate weekly refuse and recycling collections. Some small changes to the proposal were made requiring a small increase in savings to be found through service transformation, however all the suggestions put forward to meet the £1.267M gap have been approved including an ongoing commitment that the Council should not use reserves to balance the revenue budget.

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. We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

<b>Improvement Recommendation 4</b>	The Council needs to enhance reporting against all savings and income generation plans to provide both Members and the public with assurance that progress is being made and to identify areas where corrective action is required.
<b>Improvement opportunity identified</b>	We have recommended that Officers and Members need to work together, taking difficult decisions where required, in order to improve the Council's financial sustainability. Transparent public reporting of the impact of those decisions is important.
<b>Summary findings</b>	If Members are to take difficult decisions in order to better protect Council finances they need assurance that these are having the desired impact. Services users also need to be able to see the impact those decisions are having as they may be affected by the reduced services or increased costs.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	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.
<b>Management comments</b>	Agreed. During 2023/24 updates on the sustainability programme have been reported to members in the quarterly budget monitoring reports for 2023/24. The longer term progress against the plan has been reported in each member budget workshop session held during 2023/24 and it was reported on in the 'Budget Setting Approach for 2024/25 & Medium-Term Financial Plan Update' report to Full Council 26 September 2023. A specific update on income generation was taken to PFD on the 5 December 2023.

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. We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 5

The Council should enhance public budget setting reporting to clearly demonstrate how major investments – capital or revenue – will contribute to achieving the Council’s priorities.

## Improvement opportunity identified

The Council has strategic priorities and a capital programme, but these are not linked. It is therefore not clear how capital investments support the achievement of objectives.

## Summary findings

While there is little scope for the Council to increase revenue budgets to support its priorities, it does have a capital programme in excess of £7m in 2023/24. Linking this to priorities or objectives demonstrates that it is being applied appropriately.

## Criteria impacted



Financial sustainability

## Auditor judgement

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

## Management comments

Agreed. Major capital schemes in the programme are being revised and reevaluated including how they are meeting Council’s priorities, for example Ellis Park Community Facility – paused following Capital Sub Committee August 2023. The capital bids received for 2024/25 are being prioritised as identified in the December 2023 Full Council Report.

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. We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 6

The Council needs to ensure that both revenue and capital budgets are realistic and achievable to avoid significant revenue overspends or capital underspends.

## Improvement opportunity identified

The 2022/23 outturn position was £0.639m worse than initially planned. Net revenue expenditure is £6.970m for 2022/23, which means that the unplanned deficit was 9% of expenditure. This is higher than we would expect to see.

## Summary findings

We made a similar recommendation in our prior year report, but have broadened it to include capital expenditure.

## Criteria impacted



Financial sustainability

## Auditor judgement

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


## Management comments

Agreed. As part of the 2024/25 budget setting process a new approach of Star Chamber was introduced, this involved officer and member scrutiny of budgets line by line. As part of the process of officer scrutiny in preparing the information, a number of previous budget assumptions were re-assessed resulting in changes to budgets to make them realistic and achievable, which will reduce future year revenue overspends.

Major Projects monitoring has been enhanced by the introduction of the Corporate Project Assurance Board adding to the scrutiny of both major capital and revenue areas of spend or income. Improvements to the capital programme monitoring process are being progressed.

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. We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

<b>Improvement Recommendation 7</b>	The Council needs to continue with its efforts to ensure that it has an appropriately resourced and skilled finance team.
<b>Improvement opportunity identified</b>	The Council has not had a stable, fully resourced and appropriately skilled finance team for a number of years. While these issues are not unique to Oadby & Wigston BC they do create some challenges and the Council needs to ensure that the situation is rectified as soon as possible.
<b>Summary findings</b>	The Council has been trying to address the staffing challenges in its finance team for a while, but has been unable to do this on a permanent basis. Having an insufficiently resourced or skilled finance team is a risk, particularly given the challenging financial position the Council faces.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	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.
<b>Management comments</b>	Extensive market analysis has been undertaken to support the recruitment drive for a CFO (S151 Officer) and a Finance Manager (Deputy S151 Officer) which is underway with the support of a professional recruitment agency.

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. We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work. The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

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

## Risk management and internal controls

**The Council has appropriate arrangements in place to identify assess and report on strategic risks. The internal audit service meets the Council's needs, providing a wide range of reviews each year.**

### Risk management

Until April 2022, management and coordination of risk management was outsourced to the Council's appointed internal auditors. Since then, the revised arrangements are that the Strategic Director and Section 151 Officer chair a cross-organisational officer Risk Management Group which was established in April 2022. This group reviews strategic risks on a quarterly basis and recommends any changes through the Senior Leadership Team. Following this review, a Risk Management Quarterly Report is prepared and submitted to the Audit Committee. The Audit Committee will escalate any risks it considers appropriate to Full Council. The updated Risk Management Policy provides a clear process map, including guidance and tips and thresholds for when risks will be escalated.

The Internal Audit "Risk Management" report to the December 2022 Audit Committee provided "Significant" assurance, with only two low level recommendations made.

Audit Committee receives quarterly risk management reports which clearly summarise the approach to risk management and changes to reported risks since the last report. There are 14-15 risks reported, which is at the top end of what we would consider reasonable to allow Members to focus on the key corporate risks. While not an improvement recommendation at this point, if this number starts to creep up the Council could consider not reporting those risks which initially had a score of between four and nine but have been mitigated to four and below. In the July 2023 report there were two such risks.

The report provides assurance that risks are being managed - there is a column showing "Review Date", which in all cases is May 2023, a commentary to explain changes arising from the review, and a graphic showing "Direction of Travel" of the mitigated risk score. There is scope to make it clearer still how the mitigated risk score has changed - this could be included in the review commentary narrative. This does not warrant an improvement recommendation.

In our prior year report we made an improvement recommendation to "Improve the format of the Strategic Risk Register by identifying each risk against a primary corporate objective, summarise the sources of assurance and include a graphical representation the direction of travel of the mitigated risk score." This has been implemented and the risk register now includes all of the information we would expect to see and allows readers to clearly see the impact the risk could have on achieving the Council objectives, including the initial risk score, the mitigations or assurances in place, mitigated score, further actions required and timescales, the officer responsible and direction of travel.

### Internal audit and counter fraud

In 2022/23 Internal Audit was provided by CW Audit Services (CWAS). From April 2023 CWAS merged with 360 Assurance. CWAS is a well established Midlands based internal audit supplier with a client base including local government and NHS bodies.

In 2022/23 CWAS undertook 20 assignments, providing an assurance level on 15. The assignments cover an appropriate base including risk management, counter fraud, financial systems, treasury management and some service areas.

The Head of Internal Audit Opinion for 2022/23 provided "Significant" assurance over the control environment, with commentary on the four reviews where "Moderate" assurance was given.



# Governance (continued)

## Risk management and internal controls (continued)

### Internal audit and counter fraud (continued)

The Audit Committee is provided with sufficient assurance to enable it to assess whether internal controls have operated as expected.

The Council has appropriate arrangements in place in respect of the prevention and detection of fraud. The Internal Audit "Counter Fraud & Corruption" report to October 2022 Audit Committee provided "Significant" assurance. The principal finding was that the Anti-Fraud and Corruption Policy needs updating. Five recommendations were made, all medium or low risk, and all accepted with actions clearly set out. An updated policy was presented to the PFD Committee in June 2023.

## Informed decision making including the Audit Committee

**The Council ensures that Members are provided with appropriate information on which to make decisions. From May 2023 the composition of the Audit Committee is, in our experience, unusual, and the Council needs to take the opportunity to review this in line with best practice as scheduled for January 2024.**

The Council has appropriate arrangements in place to ensure that all relevant information is provided before major decisions are made. Examples include a number of early reports on the 2023/24 budget setting approach, a new Corporate Charging Policy and seeking to increase the Council's income and seeking advance approval for unexpected capital expenditure on the Brocks Hill relocation.

Senior Members and Officers set an appropriate tone. This is reflected in the Local Government Association (LGA) Corporate Peer Challenge – Progress Review report from November 2022. Staff feedback in response to a survey on the office relocation indicates that, while not everyone is happy with it, the vast majority of people felt that communication and support was good.

## Audit Committee effectiveness and composition

From May 2023 the composition of the Council's Audit Committee is, in our experience, unusual. We would not expect to see the Leader of the Council, members of the PFD Committee and Chair of the Service and Delivery Committee (SDC) as members of the Audit Committee. In our view this is inconsistent with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Audit Committees (see below). However, we have not witnessed any potential conflicts in our attendance at Audit Committee and recognise that there is no statutory requirement to have an Audit Committee, the CIPFA guidance is best practice and that the Council has some safeguards in place to support independent decision making and scrutiny.

In our prior year report we made an improvement recommendation *"The Audit Committee reviews its effectiveness against CIPFA's best practice guidance (see CIPFA's Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition))."*

The Annual Governance Statement (AGS) 2022/23 shows that this is scheduled for January 2024. Our improvement recommendation remains appropriate.

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

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

# Governance (continued)



## Standards and behaviours

**The Council has appropriate arrangements in place to ensure that proper standards and behaviours of Officers and Members are maintained.**

The Local Government Association (LGA) Corporate Peer Challenge in January 2022 made a recommendation "Establish ways for members and officers to work more effectively together". The follow-up report, from November 2022, comments on progress made including work on a Member-led Corporate Plan; a workshop and survey of Members to improve the Member enquiry service, LGA workshops to enhance Officers' political understanding and Members' involvement in the vision for the borough; and commissioning various Centre for Governance and Scrutiny sessions between October and November 2022 to further enhance Members' and Officers' understanding of each other's roles and involvement in decision making processes.

## Gifts and hospitality and Declarations of Interest

The Council's approach and policy for gifts and hospitality is included in the Constitution. The gifts and hospitality register is kept up to date and is comprised low value "Thank you" gifts, which are invariably shared.

Senior Officers make annual declarations of interest, including "Nil Returns". Members' declarations are included on their page on the Council website. Review of these indicates that they are up to date and there is no evidence of missing declarations.

## Procurement

The Council website provides relevant information regarding procurement, including the latest arrangements and processes and explaining that the Council uses Welland Procurement for support for contracts over £0.050m. The public contracts register is up to date. The Council has demonstrated good procurement governance in seeking Member's approval, through the PFD Committee, in advance of agreeing a contract extension with Capita for the provision of revenues and benefits processing software.

## Net Zero

The Council has appropriate arrangements in place to ensure that it monitors and complies with any legislative changes relating to climate change/net zero. This includes having a Climate Change Officer and working with APSE (Association of Public Service Excellence) Energy to produce a 2019/20 Climate Change Baseline Study to measure the carbon footprint for Council operations and to provide a trajectory report to include decarbonisation scenarios and recommendations for net-zero.



# Improving economy, efficiency and effectiveness



## We considered how the Council:

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

## Use of financial and performance information

The Council has sound arrangements in place for performance management, including ensuring that the underlying data is accurate. The Council recognises that it can make better use of benchmarking and is taking steps to develop this.

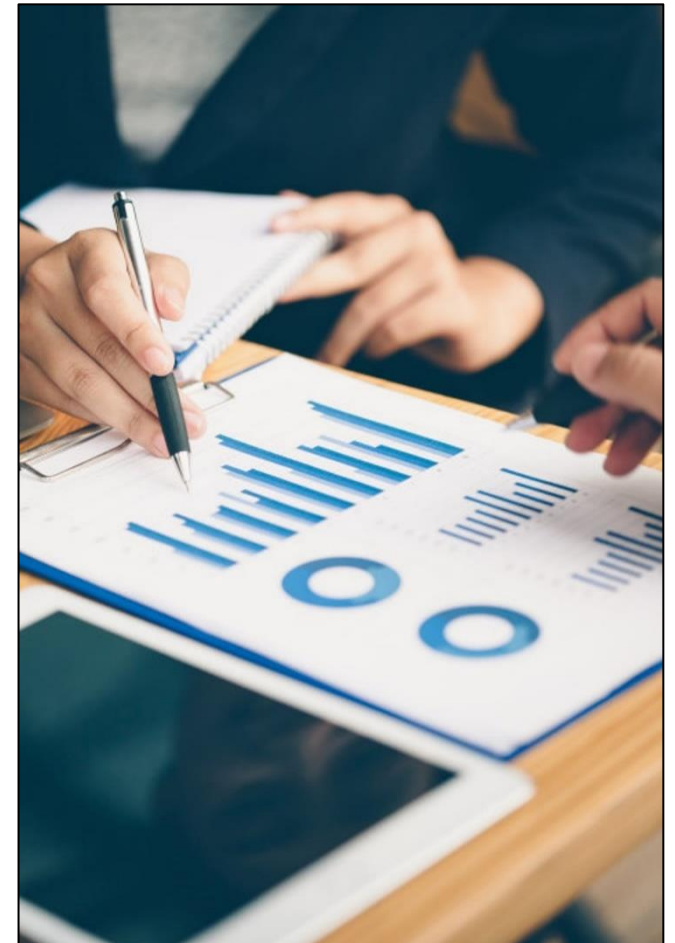
### Performance management

The Council provides comprehensive quarterly performance reports to the Service and Delivery Committee (SDC). Reporting is against 44 "Continuous Improvement KPIs (Key Performance Indicators)" from the Corporate Plan 2019-2024 and a further 24 "statutory KPIs". The KPIs are summarised and shown in different ways - by the three corporate objectives and then the four departments. Where targets are being missed this is reported in detail with clear actions. The reports then provide detailed narrative of activity and performance for each area of the Council - housing, planning, economic regeneration etc.

The performance reports are comprehensive. This is appropriate as they are presented to SDC.

### Accuracy of information used

The Council has appropriate arrangements in place to obtain assurance over the accuracy of financial data through the work of internal audit, in particular the "Financial Management and Reporting" work. Assurance arrangements for performance data have been strengthened following an internal report in previous years, with a rolling sample of five KPIs per quarter being checked back to supporting evidence by the Customer Service and Transformation team.



# Improving economy, efficiency and effectiveness (continued)

## Use of financial and performance information (continued)

### Benchmarking and learning from others

In our prior year report we made an improvement recommendation “Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.” The Council recognises that it can make better use of benchmarking and is taking steps to develop this, with progress being reported through the Annual Governance Statement (AGS) action plan. As the new arrangements were not in place during 2022/23 our prior year improvement recommendation remains valid.

The Council has appropriate arrangements in place to learn from inspectors, including the LGA. Their follow-up report, in November 2022, observed “The peer team was genuinely impressed by the amount of positive work that OWBC has undertaken since publishing its action plan on 16 May 2022 to progress the CPC’s key recommendations”. The Council has continued to make progress against the recommendations, and has provided update reports to Members.

### Assessing performance and identifying improvement

The Council has appropriate arrangements in place to evaluate service delivery and identify alternative approaches.

For example, the 2023/24 budget setting report includes a proposal to amend service delivery of the Community and Wellbeing Team. The proposal is for a shared service with Blaby District Council. While the proposal will actually result in a small increase in cost, it is clear that the service is not viable without the change from in-house delivery.

The LGA has recognised that the Council has responded very positively and quickly to the earlier recommendations it made. The progress reports on the AGS actions also identifies good progress against recommendations, with clear explanations for any delays. While a number of the recommendations made in our prior year report are still in progress at the end of March 2023, this is not unexpected given that the report was presented in January.

## Partnership working

The Council has appropriate arrangements in place when working in partnership, the outcome of which is fed back to Members.

The work of partnerships is fed back to the SDC through the quarterly performance reports. This includes the work with UK Gas Services for void property work and the Lightbulb project to support residents to remain safe and well in their own homes.

The Council has appropriate arrangements in place to consult with key stakeholders and to report the outcomes. Examples include the 2023/24 budget setting proposals and the potential disposal of public open space – the latter receiving 606 responses.



# Improving economy, efficiency and effectiveness (continued)

## Commissioning and procurement

The Council has appropriate arrangements in place when commissioning services, including utilising external support when needed.

The adjacent text box sets out some of the common procurement challenges. The Council website provides relevant information regarding procurement, including the latest arrangements and processes and explaining that the Council uses Welland Procurement for support for contracts over £0.050m. The public contracts register is up to date. The Council has demonstrated good procurement governance in seeking Member's approval, through PFD Committee, in advance of agreeing a contract extension with Capita for the provision of revenues and benefits processing software.

The Corporate risk register includes a high rated risk around supplier failure. The risk report to April 2023 Audit Committee showed that the initial risk of 20 has been mitigated down to 12, with assurance obtained from existing controls. Further actions are planned. The controls in place, particularly using external support, ensures that risk of supplier failure is appropriately mitigated, although it can never be eliminated.

### Capital programme

The Council has appropriate arrangements in place to report on the capital programme, incorporating this into the quarterly finance reports to PFD Committee. The Council has demonstrated good contract management governance arrangements by seeking Member approval to use part of the contingency budget for Brocks Hill to reflect unexpected repairs before committing to having the work done.



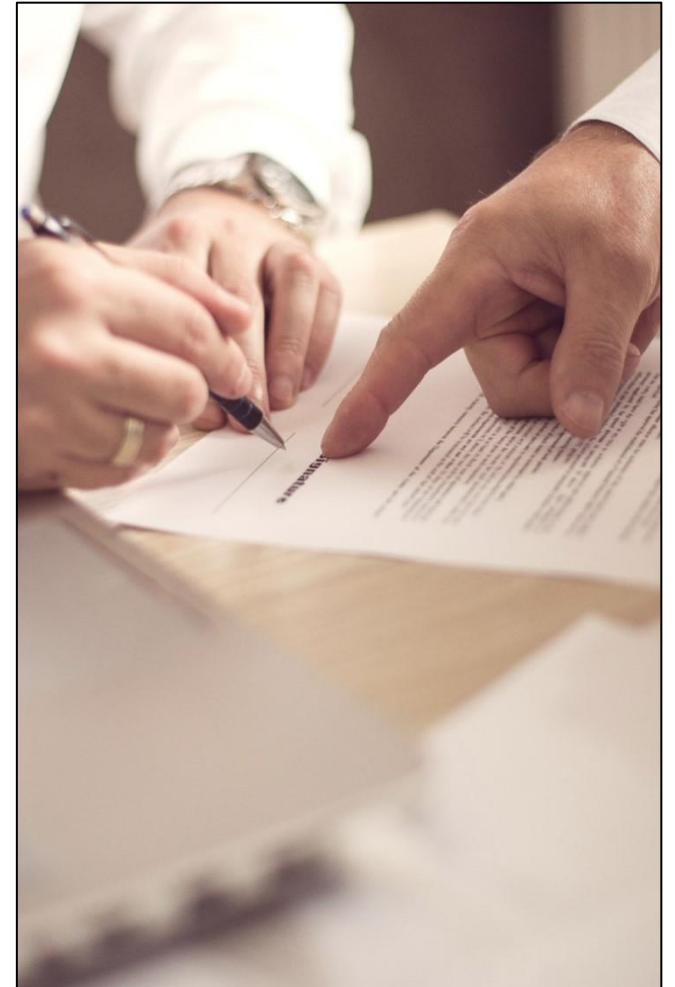
## Procurement

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

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

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

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



# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.	Improvement	January 2023	The Council is forecasting a cumulative deficit of £2.63m over the five year period 2023/24 to 2027/28. Savings plans are not fully worked up, are in any event insufficient to bridge the forecast deficit, and the Council is reliant on the use of reserves over the next five years. Reserves will be used up during 2026/27, even if all of the anticipated savings are realised. This remains an improvement area. See page 13.	No	Yes – the Council needs to implement the original recommendation.
2 Progress with delivering the recently agreed Sustainability Plan which needs to be monitored and reported to the Policy, Finance and Development (PFD) Committee.	Improvement	January 2023	The Council's Medium Term Financial Strategy (MTFS) explains that the regular finance reports to the Policy, Finance and Development Committee will be extended to include reporting on the progress of delivery of the Sustainability Plan. Throughout 2022/23, including the outturn report to the June 2023 meeting, there is no evidence of this. This remains an improvement area. See page 13.	No	Yes – the Council needs to implement the original recommendation, which we have revised to include all savings or income generation schemes.
3 Consider distinguishing between core statutory services service and discretionary service costs in financial plans.	Improvement	January 2023	The Council clearly understands and reports the cost of delivering core statutory services (£8m) and discretionary services (net income of £0.6m). The Council plans to undertake further analysis in this area. See page 14.	Yes	No
4 Ensure that there is greater transparency in the budget setting process of the consideration of trends and risks and their impact on projected financial outturn, and of alternative proposals and scenarios.	Improvement	January 2023	The Council has appropriate arrangements to use scenario or sensitivity analysis to model the impact of changes in key assumptions on the financial position. See page 10.	Yes	No

# Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 Engage with external stakeholders on options and considerations as part of the 2023/24 budget setting process.	Improvement	January 2023	The Council has appropriate arrangements in place to consult with stakeholders over the budget. This includes with trade unions, the Federation of Small Businesses and the public. The responses are included in full in the budget setting report, which provides a high degree of transparency. See page 16.	Yes	No
6 Improve the accuracy of in-year forecasting of the financial outturn to prevent unexpected significant swings in the forecast position during the year and particularly between the quarter 3 and quarter 4 reports.	Improvement	January 2023	<p>While in year forecasting has improved, the outturn was significantly different to the initial budget. The Council applied £0.2m more of earmarked reserves than initially planned and made a deficit of £0.439m compared to a break even plan. The position was therefore £0.639m worse than initially planned. Net revenue expenditure is £6.970m for 2022/23, which means that the unplanned deficit was 9% of expenditure.</p> <p>The total capital budget for the year was initially set at £10.905m, but only £4.643m was spent. While the reasons for this have been reported each quarter the actual expenditure represents only 43% of the original plan.</p> <p>This remains an improvement area. See page 14.</p>	No	Yes – the Council needs to implement the original recommendation, which we have broadened to include capital as well as revenue
7 Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports.	Improvement	January 2023	The Council intend to implement this after the local elections in May 2023. It has therefore not been done in 2022/23. The Quarter One 2023/24 Budget Monitoring Report to the September PFD Committee does not include the recommended information. This remains an area for improvement. See page 14.	No	Yes – the Council needs to implement the original recommendation.

# Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8 Improve the format of the Strategic Risk Register by identifying each risk against a primary corporate objective, summarise the sources of assurance and include a graphical representation the direction of travel of the mitigated risk score.	Improvement	January 2023	The Council has implemented our prior year improvement recommendation to further enhance the risk register reported to Audit Committee from January 2023. The risk register now includes all of the information we would expect to see and allows readers to clearly see the impact the risk could have on achieving the Council objectives, including the initial risk score, the mitigations or assurances in place, mitigated score, further actions required and timescales, the officer responsible and direction of travel. See page 24.	Yes	No
9 The Audit Committee reviews its effectiveness against CIPFA's best practice guidance (see CIPFA's Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)).	Improvement	January 2023	The Annual Governance Statement 2022-23 shows that this is scheduled for January 2024. From May 2023 the composition has changed and members include the Leader of the Council and members of the PFD Committee and Chair of the SDC Committee. Our improvement recommendation still stands. See page 25.	No	Yes – the Council needs to implement the original recommendation.
10 Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.	Improvement	January 2023	The Council recognises that it can make better use of benchmarking and is taking steps to develop this, with progress being reported through the Annual Governance Statement action plan. As the new arrangements were not in place during 2022/23 our prior year improvement recommendation remains valid. See page 28.	No	Yes – the Council needs to implement the original recommendation.
11 Ensure quarterly capital programme monitoring reports include the re-allocation of budgets to alternative schemes. All schemes incurring expenditure should have a budget.	Improvement	January 2023	There has been significant slippage in the original capital plan. The majority of this is moved to subsequent years. However, the Quarter Two report noted "Council Office Refurbishment (£22.8k) and Bushloe House Car Park Resurfacing (£28k) both of these schemes will not go ahead. The budgetary provision has been reprofiled to form a new capital maintenance provision for Brocks Hill of £10k per annum from 2023/24." See page 14.	Yes	No

We note that the Interim Strategic Director & S151 Officer presented a report to Audit Committee on progress against recommendations on 10 April 2024. We are satisfied that there are no matters within that which impact upon our conclusions and we will formally follow up progress as part of our 2023/24 work.



# Opinion on the 2022-23 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 2023 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 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conduct 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

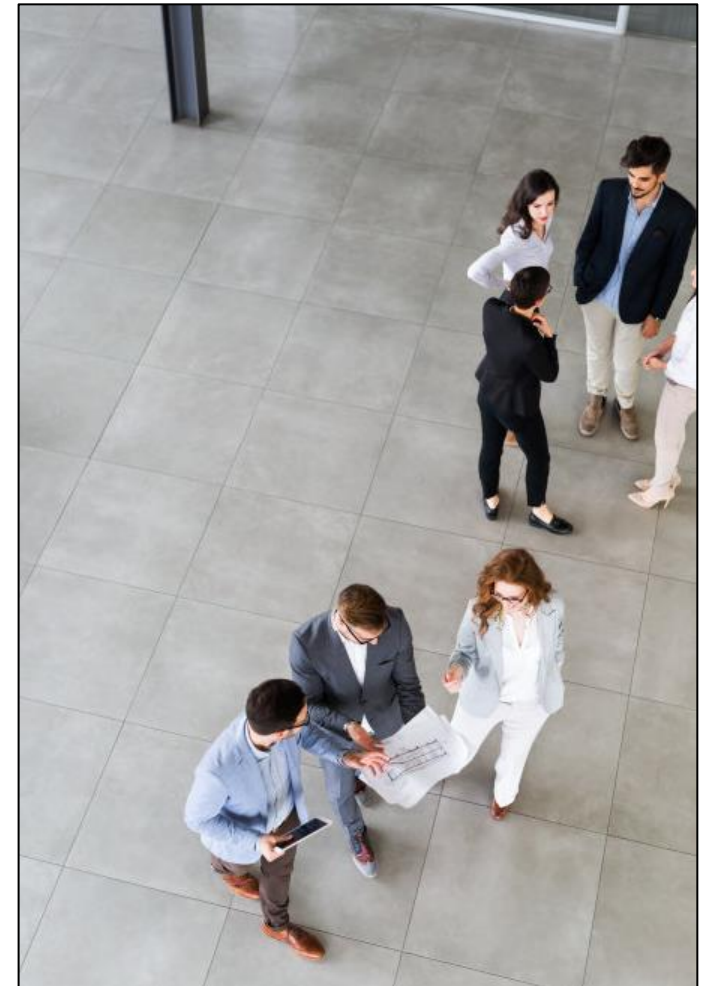
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 16 April 2024.

The full opinion is included in the Council's Financial Report for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



# Opinion on the financial statements

## 2022/23

### Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 16 April 2024.

### Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception

### Preparation of the accounts

The Council provided draft accounts in November 2023, after the national deadline of 31 May. We presented our Audit Plan to the Audit Committee in January 2024.

### Issues arising from the accounts:

We identified 9 adjustments to the financial statements that resulted in an £896k adjustment to the Council's Comprehensive Income and Expenditure Statement. Due to the nature of local government accounting this leads to a net improvement in the Council's general fund position at 31 March 2023 of £193k, although the majority of this is related to an earlier recognition of grant income that the Council had already budgeted for.

There is one net item of £69k in relation to an overstatement of the Council's net pensions liability which management did not amend for on the basis that it is not material quantitatively or qualitatively.

In prior years we have reported an uncertainty in respect of whether the Council was applying its MRP appropriately. Through review of documents and discussions with management we are now satisfied that the Council's approach is prudent and consistent with its intentions. We have therefore no longer reported this as an unadjusted misstatement but noted that the rationale for the prudent provision should be included within the Council's policy and references to statutory guidance should be aligned at the next opportunity.

We have made seven improvement recommendations, primarily around improved documentation and audit trails. These did include two IT related recommendations around monitoring the activities of superusers and improved processes for setting up new user access alongside one in respect of improving arrangements for recognition of grants within the financial statements. None are of such significance that they impacted upon our audit opinion of value for money work.

### Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 10 April 2024.

### Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council is below the threshold requiring detailed audit procedures. We submitted the required assurance statement to the National Audit Office (NAO) on 16 April 2024.

### Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# Appendices

# Appendix A: Responsibilities of the Council

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

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

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

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

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

Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



# Appendix B:

## An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	17-23 and 30-32

