

Report to: Audit Committee

Date of meeting: 31 March 2023

By: Chief Finance Officer

Title: Auditor's Annual (VFM) Report on East Sussex County Council 2021/22

Purpose: To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2021/22

RECOMMENDATION:

The Committee is recommended to consider and comment on the Auditor's Annual Report on East Sussex County Council 2021/22

1. Background

1.1 The Code of Audit Practice issued by the National Audit Office (NAO) requires the authority's external auditor (Grant Thornton (GT)) to provide a separate Value for Money (VfM) assessment from the main audit of the statement of accounts. This requirement was introduced from 2020/21, in which GT are required to consider whether the authority has in place proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources. There is no longer a requirement to provide a binary qualified/unqualified VfM conclusion. Instead, GT are reporting in more detail on the authority's arrangements, together with any key recommendations on any significant weaknesses in arrangements identified during the audit.

2. Annual Report 2021/22

2.1 The Annual Report 2021/22 (Appendix 1) sets out the work that GT has undertaken to assess the arrangements the Council has in place to secure economy, efficiency and effectiveness in the use of its resources; with particular focus on risks in respect of financial sustainability, governance arrangements and improving economy, efficiency and effectiveness.

2.2 It is very pleasing to be able to report that no significant weaknesses in the Council's arrangements have been identified. In reporting this outcome, GT has made 5 improvement recommendations (these are advisory and not mandated) (in 2020/21 there were 9 improvement recommendations) which are summarised below:

Financial Sustainability	Management Response
1. Consider implementing a longer Medium Term Financial Plan (MTFP) horizon (e.g. 5 years) to improve visibility to members and the public on how the impact of the large in year funding deficit currently projected for 2025/26 could be mitigated in multiple years. This could be used to highlight the Council's expectations for the path of funding and cost pressures in key areas such as social care.	In setting the 2023/24 balanced budget, the MTFP projected a further 2 years to 2025/26. The Local Government Financial Settlement was detailed for 2023/24, with only national allocations of some funding streams for 2024/25. No funding has been confirmed for 2025/26. National policy agendas, particularly for Adult Social Care and Children's Services provide significant uncertainty. Whilst wishing to be able to present a longer term MTFP, this is only really appropriate with confirmation of longer term funding and service clarity.

<p>2. Continue to focus on solutions to manage the ongoing financial pressures in Children's Services, including monitoring the delivery of financial benefits expected to accrue from the new Family Safeguarding initiative. The budget overspend should be closely monitored, by Cabinet to ensure that any short term measures form part of a longer term strategy to provide a sustainable service.</p>	<p>The MTFP and budget for 2023/24 has added almost £15m of net revenue spend to Children's Services for 2023/24, recognising both the ongoing pressures that have continued (alongside many other Local Authorities) into 2022/23 and the Family Safeguarding initiative. Monitoring and reporting through the Council's Reconciling Policy, Performance and Resources (RPPR) process, including to Cabinet, will continue to be key through 2023/24 and into 2024/25 as the benefits of the Family Safeguarding approach should start being delivered.</p>
<p>Governance</p>	<p>Management Response</p>
<p>3. Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issued by the National Audit Office (NAO).</p>	<p>This recommendation will be considered as part of the work to review and implement the revised CIPFA "position statement: Audit Committees in Local Authorities."</p>
<p>Improving Economy, Efficiency and Effectiveness</p>	<p>Management Response</p>
<p>4. Undertake testing to ensure that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately, with sufficient controls to avoid loss of data.</p>	<p>The implementation of the Digital Business and Insights (DB&I) programme software (Oracle) with new controls around the requisition of services and the production of Purchase Orders will enhance the ability of the Council to have a better control environment around its contract register. Contracts not maintained centrally and are held within Controcc and Tech forge will be monitored through a new reporting structure. Once the Oracle system has gone through a data cleansing exercise and Service/Directorate contract managers have been suitably trained, Procurement will monitor the adherence to the controls.</p>
<p>5. Consider introducing further contract management training for Council employees, particularly given the constraints on resourcing that leads to contract management being added to primary officer responsibilities. As noted previously in our report, the effectiveness of the contract management training currently delivered should be reviewed.</p>	<p>A new process and document has been developed for the effective handover of the contract from Procurement to the Service. The Implementation of Oracle will see a new emphasis placed on Contract managers within the service, regarding maintaining contractual data integrity. Training will be provided by the DB&I team on the system and Procurement will sign post contract managers to internal e-learning packages and external contract manager training through the Contract Management Capability Programme.</p>

3. Conclusion and Recommendation

- 3.1 The Annual (Value for Money) Report for 2021/22 has identified no significant weaknesses in the Council's VfM arrangements. Whilst putting forward 5 improvement recommendations, these are only advisory and management has responded appropriately.
- 3.2 The Committee is recommended to review and comment on the Annual (Value for Money) Report 2021/22.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ian Gutsell, Chief Finance Officer
Tel. No: 01273 481399
Email: ian.gutsell@eastsussex.gov.uk

Local Member(s): All
Background Documents
None