

# Auditor's Annual Report on East Sussex Council

2022/23

November 2023



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

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

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

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- 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 20.

# Executive summary



## Financial sustainability

The Council is operating in a financially constrained environment and 2022/23 has been another challenging year. Despite this, the Council has managed its financial position well and was able to draw on planned contingencies to mitigate the impact of financial pressures, notably in Children's Social Care, and protect its reserves. The Council has been able to enjoy a period of financial stability in recent years as a result of the work done to realign spending under its Core Offer, and further assisted by COVID-19 grant provided by government. However, we note that in 2023/24 and over the medium-term, a significant structural funding deficit is forecast. The Council must now mobilise to address the deficit and consider where further significant savings can be made. Without clear plans to manage risk in the long term, the Council is likely to face serious financial challenges in the medium-term, which may impact its ability to provide services and meet its obligations to stakeholders. We have found no evidence of significant weaknesses related to the financial sustainability of the Council but we have made one improvement recommendation.



## Governance

The Council has implemented a culture of robust governance and continuous improvement which were recognised in the recent LGA peer review. This helps support effective decision-making processes and efficient service delivery. The Council's commitment to improvement drives value for money in service delivery and ensures that best practices are implemented across the organisation. Our work has not identified any evidence of a significant weakness in arrangements in relation to governance and we have not made any improvement recommendations.



## Improving economy, efficiency and effectiveness

The Council has experienced positive albeit mixed performance in 2022/23 across its service delivery targets, in challenging economic circumstances. Performance reporting combines both financial and non-financial information to provide a comprehensive overview of corporate performance on a regular basis. We note that the Council has made improvements to procurement practices, including a recent review of the Contract Register as part of the Procurement Modernisation Programme. Improvements to the Council's financial management and other systems as part of the Modernising Back Office Systems Programme (MBOS) are still in progress. The Council has applied strong programme management controls to ensure that implementation does not take place until the system is fully tested and ready for use. Contract management training has now been made available and a contract Management Advisory Service (CMAS) is currently being piloted. Our work has not identified evidence of a significant weakness in arrangements for achieving economy, efficiency and effectiveness.

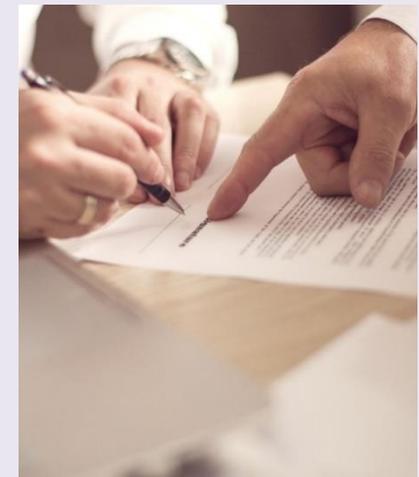
### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.



## Financial Statements opinion

Our audit of the Council's financial statements is ongoing. An indicative Audit Findings Report has been issued to the November Audit Committee meeting which sets out the areas of ongoing work and some delays which we have experience in obtaining information/responses necessary to complete the audit. We are working towards completion of the audit by Christmas 2023.



# Executive summary



## Value for money arrangements

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

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

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one improvement recommendation made	G No significant weaknesses in arrangements identified but two improvement recommendations made.	↔
Governance	No risks of significant weakness identified	G No significant weaknesses in arrangements identified.	G No significant weaknesses in arrangements identified, but one improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G No significant weaknesses in arrangements identified, but one improvement recommendation made.	G No significant weaknesses in arrangements identified but two improvement recommendations made.	↔

**G** No significant weaknesses in arrangements identified and limited improvement recommendation made.

**A** No significant weaknesses in arrangements identified, but a number of improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendations made.

# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## Statutory recommendations

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

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

## Public Interest Report

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

We did not issue a public interest report.

## Application to the Court

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

We did not make an application to the Court.

## Advisory notice

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

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

We did not issue any advisory notices.

## Judicial review

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

We did not make an application for judicial review.

# 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



## Local context

East Sussex Council is an upper tier local authority for the county of East Sussex, which is divided into five district areas of Hastings, Eastbourne, Lewes, Wealden and Rother. Whilst the latter 3 areas are considered more rural, both Eastbourne and Hastings are mainly urban localities with higher population densities.

The population size is estimated to be circa 545,800 (2021 census) an increase of 3.6% since 2011. Except for Wealden, which had a population growth of 7.5% and a household increase of 9%, all districts in East Sussex registered population growth below the national average of 6.6% and the South-East average of 7.5%. Hastings registered the lowest population growth of just 0.9%. The most growth was within the 70-74 age category, which increased by 46.6%, above the national average of 36.8%, meaning the 65+ population of East Sussex now stands at 26.1%, with those aged 19 and under falling from 22.1% to 20.5%. There was also a large decline in the 40-44 age category which decreased by 19.3% compared to a national average of 7.9%. This means that those aged 70+ now account for approximately 1 in 8 (12.3%) of all residents in East Sussex. Although 85+ growth was relatively small at just 4.7%, East Sussex continues to have the second-highest proportion of over-85s in the country.

The Index of Multiple Deprivation ranks East Sussex as 140 out of 317 authorities for deprivation, however across the County there are variations in deprivation, with 22 of the 329 lower layer super output areas (LSOAs) in East Sussex within the most deprived 10% nationally, and 21 LSOAs in the least deprived 10%. Latest data for children living in poverty estimates that in 2021/22 18.6% of all children and young people aged 0-19 in East Sussex, were living in families with relative low-income, which is slightly below the national average of 19.8%. House prices remain above the national average although rented housing makes up a significant proportion of the sector, with significant rises in the cost of private rented housing in recent years. This is combined with a recent increase in the rate of those receiving asylum support within the county. In fact, 25% of those who fell into the category of Looked After Children (LAC) of March 2023, were Unaccompanied Asylum-Seeking Children. This is coupled with increased demand for children's social care, additional complexity and increased costs, resulting in pressures on the social care system within the county, although this is not unique to East Sussex, and is reflected nationally.

The Council has in place a Leader and Cabinet system with Overview and Scrutiny Committees to review decisions and hold the Cabinet to account. Members are elected every four years, with 50 councillors currently appointed. The last full County Council elections took place on 6<sup>th</sup> May 2021, with by-elections held on the 27<sup>th</sup> July and 3<sup>rd</sup> August 2023. Currently, the political composition includes 25 Conservatives, 12 Liberal Democrats, 5 Labour, 5 green, 2 Independent Democrats and 1 Independent. The County Council is split into 5 main departments which align with the following focusses; Adult Social Care and Health; Governance; Children's Services; Business Services; Communities, Economy and Transport.

East Sussex is part of the Sussex Integrated Care Partnership (ICP) along with NHS Sussex, West Sussex County Council and Brighton & Hove City Council and a range of voluntary, community and social enterprise partners. Together with the other ICP members, East Sussex have agreed the strategic direction for the system which has been codified in the "Improving Lives Together" Strategy. This provides a framework to work together on benefitting local people with a focus on building integrated teams to work in a more joined-up way, growing the health and care workforce, and improving the use of digital technology and information.

# 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.

## Financial performance in 2022/23

In common with most local authorities across the country, East Sussex County Council continues to manage its finances in a highly challenging environment while government considers the structural reforms to funding that are needed in the longer term.

On 8 February 2022, a balanced budget for 2022/23 was approved at Full Council. The Council had to address several looming challenges in particular an increase in demand for services in Children Services and Adult Services along with the increase in costs and the uncertainty around future funding.

The Council's outturn after managing these pressures was a total revenue overspend of £10.7m. The principal financial pressure on the Council came from Children's Services, which is reflective of the national picture. There was an overspend of £11.5m in this department, primarily driven by Looked after Children and Home to School transport. This was mitigated mostly by additional unbudgeted income from Treasury Management of £6.2m, the general contingency of £4.3m and use of the Financial Management reserve of £1.8m. The use of the budgeted general contingency to mitigate overspends is good financial management.

The savings target was not met during the year. The target was £1.3m and the Council achieved £0.45m of this. However, given there was a relevantly low target this did not have a significant detrimental effect, but with the larger savings that will be required in 2024/25, the Council will need to strengthen its governance arrangements around savings delivery.

The Council set a capital expenditure budget of £84.1m. Actual capital expenditure for the year totalled £75.4m, with a number of individual project slippages. £2.3m of the total slippage related to Bexhill and Hastings Link Road with costs remaining for post excavation archaeology, landscaping, and remaining compensation claims where the timing of expenditure and delivery was largely outside of the Council's control.

In regard to capital outturn, we note that £75.4m of the £84.1m capital budget for the year had been spent (90%) which reflects good performance and an effective capital budget setting and monitoring process.

## Performance to date in financial year 2023/24

In February 2023, the Council set a balanced budget for 2023/24 without any reliance on the use of reserves or significant levels of savings. At the end of Q1 2023/24, the Council was reporting a forecast overspend of £16.9m in the service revenue budget. The largest overspend coming again from Children's services, primarily from Looked After Children with the main driver being pressure of External Residential costs of £12.7m due to growth in demand and additional pressure in staffing costs.

The Council set a target of £1.8m savings for the year (including savings not delivered in the prior year). Progress at Q1 was reported to be £0.8m forecast to be achieved for the year (43%) with £1.0m rolled forward to 2024/25.

We reviewed the capital outturn reporting within the quarterly monitoring reports and note that the forecast capital programme expenditure of £96.3m for 2023/24 tracks relatively well against a budget of £104.6m with a net variation £8.2m. We note that a significant proportion of this slippage (£4.8m) relates to Local Enterprise Partnership (LEP) funded projects the main one being Hastings Bexhill Movement and Access Programme with a slippage of £4.1m which is due to gain approval in autumn 2023 followed by Lead Member sign off, following a requirement to undertake a prioritisation process.

## Managing financial pressures

Many councils are facing a significant challenges around the depletion of reserves while sustainable savings programmes are delivered over a period of years. A characteristic of many councils now facing financial difficulty has been an over reliance on the writing down of reserves while failing to make sufficient progress with transformation or struggling to make difficult decisions around services. Our work across the local government sector has highlighted the difficulty and delay that some organisations encounter when attempting to mobilise for major transformation, particularly where there has been a hiatus following previous rounds of major service reconfiguration. We are satisfied that East Sussex Council is not yet in this position and the opportunity is there to make significant progress over the next year with the benefit of a healthy level of reserves available to cover shortfalls in the short term. It is however important that the Council makes effective use of this time to develop a robust solution.

# Financial sustainability (continued)

We note that the use of budgeted contingencies and other measures such as COVID-19 recovery funding have been a key part of the Council's strategy for managing cost pressures following the pandemic and the level of annual savings has been relatively light having established its Core Offer. However, the Council has continued to invest in transformation at service level, for example, consultants have undertaken a major project to address the overspend driven by Childrens Services in 2022/23 and 2023/24.

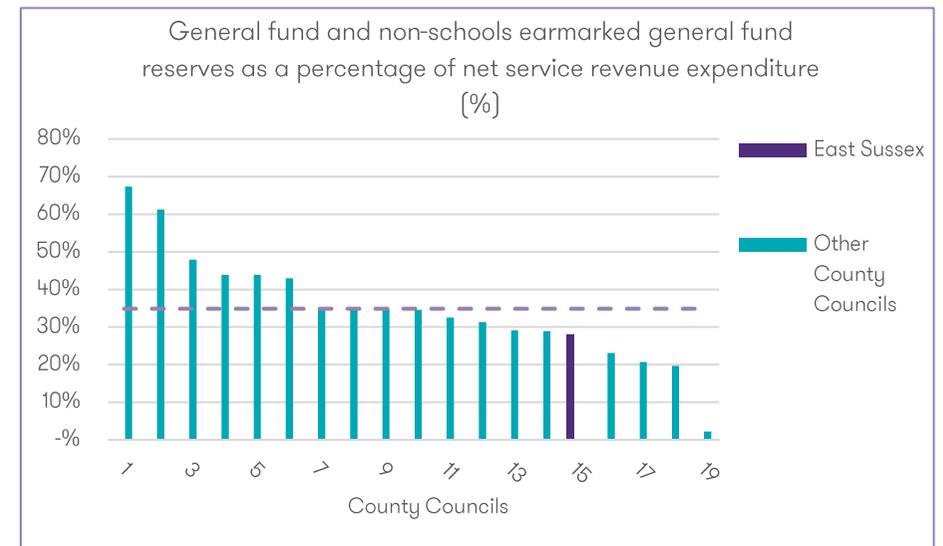
We recognise that the measures taken to manage the budget over the last two years reflect good financial stewardship. However, we note that the costs of Children Services have been rising in recent years, driven by increasing demand for services and the complexity of cases which has put pressure on the Council's budget. The budgeted contingency has therefore been deployed to manage these costs over the last two financial years rather than serving as a buffer to protect or build up reserves as it had in previous years. The latest medium-term position presented to Cabinet in November 2023 anticipates a funding deficit of £27m in 2024/25 rising to £64.7m in 2026/27. Current options being considered including Council tax increases and the continuation of Adult Social Care grants potentially reduce the deficit in 2024/25 to £16.2m. With the pressure to use reserves increasing and demand for services continuing to rise, the Council faces difficult choices having previously set its Core Offer, around which services to prioritise and how to balance the budget in 2024/25. This underscores the need for the Council to explore new approaches to service delivery, while also advocating for increased funding and support from central government.

	2022/23	2021/22
Planned revenue expenditure (Gross)	£981,143,000	£902,121,000
Actual revenue expenditure (Gross)	£1,013,378,000	£985,956,000
Planned capital spend	£84,098,000	£85,640,000
Actual capital spend	£75,408,000	£75,554,000
Planned savings target (recurrent/non-recurrent)	£1,257,000	£1,878,000
Actual savings delivered (recurrent/non-recurrent)	£452,000	£1,878,000

## Reserves and contingencies to manage financial risk

At the 2022/23 year end the Council's useable reserves as a proportion of the net cost of services (excluding schools) stood at 28%, based on available published draft accounts for 2022/23). This is slightly above the bottom quartile, and just below the average of 35% for the 19 county councils for which draft financial statements were available for review. The Council achieves a good balance between maintaining sufficient levels of reserves to manage risk and invest in future priorities, without retaining reserve levels that are disproportionate to its needs.

The MTFP 2023/24 to 2025/26 included an analysis of reserves, including those that would be available to manage future funding pressures, primarily using the strategic reserve. The paper estimates that the Earmarked Reserves and the General Fund Balance are estimated to total £147.9m as of 1 April 2023, falling to an estimated £80.4m by 31<sup>st</sup> March 2028. Whilst the Council has reserves and contingencies in place in the short term there is an expected decline in the reserves position of c. 46% potentially putting the Council in a vulnerable position by the end of the period if structural funding issues are not resolved through savings and other means.



# Financial sustainability (continued)

## Identifying savings

The Council undertook a major multi-year savings programme linked to its 'Core Offer' after the financial year 2010/11 with delivery of the majority of its savings plan by 2019/20 and 2020/21. Following the establishment of services to deliver the Core Offer, the Council has not sought significant additional savings over the past two years. The view taken was that cutting further costs in services would result in a lower quality of service being provided which would be below the level of service the Council has agreed to provide to residents as part of its Core Offer. There is also an understanding that in the development of a new initiative to revisit the service priorities for residents, some aspects of service the Council will be expected to provide will increase, making it harder for the Council to identify savings in future years. There is recognition by the Council that whilst historical savings, income from Treasury Management, budgeted contingencies and reserves can continue to be used to balance the budget and mitigate any overspends in the very short term, the Council will have to expedite the conversation around savings and the services that residents want to prioritise if it is to address the anticipated funding deficit of £64.7m by 2026/27.

## Financial planning process

The Council faces increased uncertainty in funding from the local government funding settlement over the last ten years, and the Council's Medium Term Financial Plan (MTFP) assumes a continuation of this. There were hopes within the Council that the plans to provide a two-year funding settlement for local government would come to fruition in Summer 2022, but this was largely a one-year settlement

The Council has in place a process called Reconciling Policy, Performance and Resources (RPPR). As part of this process a state of the county report is presented to cabinet every year setting out the most recent economic climate that the Council is operating in, and a view of what trends are likely for future years. This is used in conjunction with the financial modelling exercise and sensitivity analysis as well as scenario planning across the most likely outcome assumptions and less likely outcome assumptions which is carried out at service level to identify the financial trends acknowledging the demand pressures, rising costs which is then fed into the budget and the MTFP.

## Children Social Care

The Council is facing significant challenges in relation to children's social care. One of the key challenges is the increasing demand for services, which is putting pressure on the Council's budget and resources. This is driven by a range of factors, including population growth, increased complexity of cases, and the requirement to take on the care of refugee children from neighbouring Kent.

There are also challenges around workforce recruitment and retention. In 2021/22 the Council saw a third of its social worker resource retire which has further put additional strain on the service which is already seeing a shortage in staff. The social care sector is facing a national shortage of qualified social workers, which is making it difficult for the Council to recruit and retain staff. This shortage is particularly apparent in East Sussex, where the cost of living is high and salaries for social workers may not be competitive with those in other areas.

A further challenge is the increasing complexity of cases, which is making it difficult for social workers to provide timely and effective support to children and families in need. The complexity of cases has seen particular incline post Covid-19 driven by a range of factors, including mental health issues, substance abuse, and domestic violence, which require specialist support and interventions.

To address these challenges, the Council has taken a range of measures such as increasing investment in early intervention and prevention services and have invested £1m in the intervention in keeping young adults within their family home, improving workforce recruitment and retention through a workforce recruitment drive. The Council is also exploring new models of service delivery, such as digital solutions and community-based support networks, to improve access to services and increase efficiency. The Council's transformation effort includes significant work with external consultants looking at areas such as early help and reviewing high-cost placements. While these initiatives may render savings opportunities, the focus is on managing future demand and reducing cost pressure assumptions over the medium term.

The pressure on Children Services is particularly of concern as over the last 2 years it has absorbed the majority of the Council's budget contingency, that is in place to address overall budget pressures and enable any unspent contingency to contribute to reserves. The recurrent use of the budget contingency to fund what has become a structural pressure in the Children's services budget, undermines its purpose.

# Financial sustainability (continued)

## Adult social care

East Sussex Council provides a range of adult social care services to support vulnerable adults in the region. It is the Council's single biggest area of service expenditure and although in recent years, costs have been controlled in line with budget, demand and unit cost pressures in the context of an aging population will become increasingly challenging over the medium-term period.

The Adult Social Care outturn at the end of 2022/23 was an overspend of £0.1m. This comprises an overspend of £1.7m in the Independent Sector, offset by an underspend of £1.6m in Directly Provided Services, which was mainly due to staffing vacancies. There were no significant savings targeted for Adult Social Care in 2022/23. The Adult Social Care overspends are low year on year in comparison to the national landscape. Whilst our own benchmarking analysis shows that the Council's spend on adult social care is "very high" compared to other county councils, we are aware that this is in line with expectations due to a larger number of older people in the area, compared to the national average.

Benchmarking data is utilised by Adult Social Care to inform decision-making and ensure that performance levels are commensurate with the services provided. The Association of Directors of Adult Social Services (ADASS) facilitates this process through the completion of a dashboard containing 30 indicators, which is distributed quarterly among 18 local authorities. This dashboard provides information on various factors such as expenditure, income rates, and the percentage of people receiving appropriate care.

We are satisfied that Adult Social Care has demonstrated good financial management arrangements over the past two years and targeted investment has kept pace with demand. In the context of increasing demand and high unit cost inflation in Adult Social Care, there is a question around the Council's ability to adequately fund the service in future years and it will be an important feature of the Council's plans to secure financial sustainability over the medium term.

## Managing risks to financial resilience

Risks are considered within the budget and MTFP, with monthly reporting to Cabinet which highlights these risks. The Reserves and Budget Robustness Statement includes a Financial Assessment of risks, including the monetary magnitude of the potential impact associated with each risk. For example, the risk that inflation on energy prices and other materials becomes unmanageable for the Council. This demonstrates the Council's awareness, and ongoing work to ensure members are aware, of the impact that key estimates within the budget and MTFP could have should they be subject to change.

## Borrowing

The Council has taken a cautious approach to investing. The Council has taken an internal borrowing approach since 2019/20. The Treasury Management Strategy for 2023/24 identified a need of £113m over the next 3 years. The Council is seeking to partially fund the borrowing requirement with cash balances and use of reserves to support internal borrowing, as opposed to borrowing from the external financial markets. This has saved costs, due to the differential between borrowing and investment rates and has also brought the benefit of reducing counterparty risk exposure by having limited investments placed in the financial markets.

The Council's borrowing consists of 97% of Public Works Loan Board (PWL) loans and 3% of market loans with an average borrowing rate of 4.6%. During 2022/23 the Council made repayments of £12.7m that reduced net borrowing overall. The carrying value of long-term borrowing at 31 March 2023 was £223.4m compared to £236.1m in 2022 as presented in the Council's financial statements for 2022/23.

## Conclusion

The Council is operating in a financially constrained environment and 2022/23 has been another challenging year. Despite this, the Council has managed its financial position well and was able to draw on planned contingencies to mitigate the impact of financial pressures, notably in Children's Social Care, and protect its reserves. The Council has been able to enjoy a period of financial stability in recent years as a result of the work done to realign spending under its Core Offer, and further assisted by COVID-19 grant provided by government. However, we note that in 2023/24 and over the medium-term, a significant structural funding deficit is forecast. The Council must now mobilise to address the deficit and consider where further significant savings can be made. Without clear plans to manage risk in the long term, the Council is likely to face serious financial challenges in the medium-term, which may impact its ability to provide services and meet its obligations to stakeholders. We have found no evidence of significant weaknesses related to the financial sustainability of the Council but we have made one improvement recommendation.

# Improvement recommendation 1

## Improvement Recommendation 1

Members and officers must develop a robust strategy to secure financial sustainability over the medium to long term and to retain safe levels of reserves. This must include consideration of the steps needed to prepare the organisation for another period of significant service transformation, after several years of organisational stability. This must include a sustainable funding solution for Children Services.

## Summary findings

Our work across the local government sector has highlighted the difficulty and delay that some organisations encounter when attempting to mobilise for major transformation, particularly where there has been a hiatus following previous rounds of major service reconfiguration. In some cases this has led to insufficiently fast mobilisation and the severe depletion of reserves within one to two years. The latest medium-term position presented to Cabinet in November 2023 anticipates a funding deficit of £27m in 2024/25 rising to £64.7m in 2026/27. Current options being considered including Council tax increases and the continuation of Adult Social Care grants potentially reduce the deficit in 2024/25 to £16m. With the pressure to use reserves increasing and demand for services continuing to rise, the Council faces difficult choices around which services to prioritise and how to balance the budget in 2024/25. This underscores the need for the Council to explore new approaches to service delivery, while also advocating for increased funding and support from central government.

## Criteria impacted

 Financial Sustainability

## Auditor judgement

There is no significant weakness in this area however we have identified a potential area of improvement.

## Management comments

We certainly recognise the challenge we face, and through our well established Reconciling Policy, Performance and Resources process, we will work to establish financial sustainability. Through our lobbying we will seek to secure the short, medium and long term funding we need to continue to deliver our services.

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

# Governance



## We considered how the Council:

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

## Overview of the governance environment

The Council maintains an effective governance environment and a positive management culture. Relationships between officers and members achieve a good balance of mutual support and challenge. We note that the Council was subject to a peer review from the Local Government Association (LGA) which reported in the Summer of 2023. The report was very positive and covered a broad range of governance related areas concluding that East Sussex was “a well run Council”. The LGA found that the Council is financially prudent, an evidence-based organisation with robust governance arrangements and a strong record of delivery.

The team noted that the Council has a low-risk approach and queried if this approach needs to be adapted to meet the significant challenges the Council is facing. The key recommendations included the need to develop a multi-year plan for the future Council offer which addressed the uncertainties of the medium-term financial position. They also suggest a need to review the current incremental approach to change. Other recommendations focused on working with partners and taking more of a regional leadership role, developing the workforce and celebrating the Council’s successes.

## Risk management

The Council has an established risk management framework. The arrangements are documented in the Risk Management Framework 2022/23. The arrangements as part of this include quarterly review and monitoring of the risk register. The Risk Management Framework is clear and concise and provides guidance on identifying and addressing risk. Currently the Council has no tolerance for risk with complying with the law and no tolerance concerning the health and safety of service users and staff.

The Council maintains a Strategic Risk Register (SRR) which details risks with the potential to adversely impact the Council’s objectives. The SRR risks are assessed and given a risk score which is translated into a RAG rating. This allows risk prioritisation of actions and resources. The SRR is reported to CMT and Cabinet on a quarterly basis as well as to Audit Committee.

The Council’s highest rated corporate risks in 2022/23 were in relation to:

- Cyber Crime
- Uncertainty around the financial position
- An inability to attract and retain the high calibre staff
- Climate
- Placements for children and young people
- Schools and special educational provision.
- Road repairs.

We are satisfied that the risks being considered are what we would expect to see reported at corporate level on 2022/23.

## Assurance over internal control

In developing its 2022/23 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. The Council reviews the Local Code of Corporate Governance on a regular basis. This is consistent with the principles set out in the CIPFA/Solace Delivering Good Governance in Local Government Framework 2016. The Council carried out a comprehensive review of the effectiveness of its governance framework including its system of internal control. The review of the effectiveness of the system of internal control was informed by setting out clear policies and procedures for decision-making, risk management, and accountability.

The Council also implemented a comprehensive training program for councillors and officers, to ensure they were aware of their responsibilities and the importance of good governance with twenty-three sessions being delivered to members in 2022/23. Additionally, the Council conducted regular reviews of its governance arrangements to identify areas for improvement and ensure ongoing compliance with relevant legislation and regulations.

# Governance (continued)

## Internal Audit

The Council also receives assurance on internal control and risk management processes from its Internal Audit function. Internal Audit services are provided by a partnership working arrangement with across three local authorities. The Head of Internal Audit's annual opinion has been produced in line with mandatory Public Sector Internal Audit Standards (PSIAS). The Internal Audit opinion for the 2022-23 was reasonable assurance. During the year there were no minimal assurance opinions issued. However, there were 5 partial assurance issued as noted below:

- Vehicle Use Follow-Up
- Contract Management Group Cultural Follow-Up
- Children's Data Handling
- Climate Change
- Procurement Data Analytics

The annual report also refers to Internal Audit's Quality Assurance and Improvement Programme, which ensures work is compliant with PSIAS. The PSIAS require an external assessment of the internal audit service at least once every 5 years; Internal audit carried out a self-assessment during the year as it had been 5 years since the prior external assessment with e results published in 31 March 2023. From the review of the report, we noted that of the 64 fundamental principles to achieve with 118 points of recommended practice. 61 were assessed as 'generally conform' and 3 as 'not relevant'. This is an excellent result for the IA function with positive feedback from the Chartered Institute of Internal Auditors and shows that Orbis is 100% compliant with the PSIAS. The Internal Audit partnership provides adequate assurance for the Council. Orbis have demonstrated accountability and commitment to providing a high-quality service. Orbis have a target to deliver 90% of its planned audits and 90% of the planned audit days. In 2022/23 year Orbis achieved this as well as the excellent result from PSIAS. The Audit Committee is provided with progress report every quarter by IA keeping the committee up to date with the audits carried out and the opinion issued on them so far.

## Budget Setting Process

The budget setting process at the Council is encompassed within the Reconciling Policy, Performance and Resources (RPPR) processes. The starting point for budget setting is at departmental level, before being consolidated into the budget setting process prior to input to the overall budget. The budget and MTFP are aligned by use of a single, rolling document

The State of the County report marks the start of the Council's Reconciling Policy, Performance and Resources (RPPR) process for the year, its integrated business and financial planning cycle. The report sets out the context and provides an overview of the latest position in preparation for more detailed planning for future years. It includes an evidence base to support decision-making. This process feeds into the delivery outcomes for the year which are both financial and non-financial. We continue to regard this as an example of good practice.

The budget is reviewed by the Heads of Finance, CMT and Chief Finance Officer to sign off the figures before they go to Cabinet for approval. The Council Plan summarises the agreed budget. The reporting that we have reviewed demonstrates that key performance indicators are assessed regularly and categorised by the Council's four strategic priorities, ensuring that they remain appropriate.

## Budget Monitoring

Monthly budget monitoring takes place through Directorate Leadership Teams, and quarterly budget monitoring takes place through CMT and Cabinet. Budget monitoring is reported to Cabinet. A detailed analysis is provided for the variances by each service line on a forecast under/ overspend basis. These reports summarise and provide the Cabinet with an overall position of the Council and anticipated impact any variances will have on the final outturn position. A number of appendices are presented alongside the executive summary for further scrutiny by members. We note that the Quarterly monitoring reports successfully combine service performance information with financial performance and include specific analysis such as an analysis of savings plan delivery against target. In our view the monitoring information is a good example of its kind in relation to other councils.

# Governance (continued)

## Leadership and committee effectiveness and decision making

The Council operates a Leader and Cabinet governance model. Governance arrangements include a number of scrutiny committees which hold the Cabinet to account and the work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated annually. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Council's AGS sets out how the Council operates, how decisions are made and the policies and are followed to ensure that these are efficient, transparent and accountable to local people.

The Council has in place a Leader and Cabinet system with Overview and Scrutiny Committees in place to review decisions and hold the Cabinet to account. Members are elected every four years, with 50 councillors currently elected. The last full County Council elections took place on 6<sup>th</sup> May 2021, with by-elections held on the 27<sup>th</sup> July and 3<sup>rd</sup> August 2023. The current political composition includes 25 Conservatives, 12 Liberal Democrats, 5 Labour, 5 green, 2 Independent Democrats and 1 Independent.

The Council has a strong leadership structure and effective committee structure in place to facilitate decision-making. The Council's committees are designed to enable effective scrutiny and oversight of council operations, with members bringing their expertise and experience to bear on key issues. The Council has a strong culture of collaboration and engagement, with committees and working groups involving a range of stakeholders, including external partners. This approach helps to ensure that decisions are made with the input and buy-in of all relevant parties, contributing to effective and informed decision-making.

Our review of minutes of Audit Committee, Cabinet and other committees indicates that the decisions and operational effectiveness of the Council is subject to appropriate challenge from members and meetings are supported by sufficiently detailed and regular papers. Senior officers engage with members and there appears to be an open discussion during committee meetings. Senior officers attend to present their own area items and to field any questions on key matters. The Audit and Standards Committee provides challenge of financial and non-financial items. The members of the Committee have a good mix of experience and expertise. The Committee is well attended with minimal absences. The quality of dialogue between senior officers and members and the way that key strategic issues are presented in public papers demonstrates that there is an appropriate "tone from the top". This analysis is supported in the recent LGA review.

## Monitoring compliance with legislation and regulatory standards

The annual governance statement sets out that the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016. The Annual Governance Statement is approved by the Audit and Standards Committee.

No significant breaches or issues have been raised with or reported to committees. The only incident of note relates to the disclosure of an exempt item onto social media. This was investigated, but no action was taken in connection with it and we are satisfied that the arrangements to review the risk were reasonable. Nothing significant has occurred during the year.

## Conclusion

The Council has implemented a culture of robust governance and continuous improvement which were recognised in the recent LGA peer review. This helps support effective decision-making processes and efficient service delivery. The Council's commitment to improvement drives value for money in service delivery and ensures that best practices are implemented across the organisation. Our work has not identified any evidence of a significant weakness in arrangements in relation to governance and we have not made any improvement recommendations.

# 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 set a clear strategic direction based on a thorough data-driven understanding of the local area. This is demonstrated by the work it undertakes and presents annually for the State of the County report. In its Council Plan 2022/23, the Council sets out its four overarching priority outcomes. These are:

- Driving sustainable economic growth
- Keeping vulnerable people safe
- Helping people help themselves
- Making best use of resources now and for the future

In 2022/23 of the 54 Council Plan targets

- 35 (65%) were achieved
- 15 (28%) were not achieved
- 4 (7%) were carried over for reporting in quarter 1 of 2023/24.

The carry-overs are measures where the action has been completed, but the year-end outturn data is not yet available to report against the target.

Of the 54 targets,

- 10 (18%) had outturns that were not comparable with 2021/22

Of the 44 measures that can be compared

- 25 (46%) improved or achieved the maximum
- 3 (6%) remained the same
- 13 (24%) had a lower outturn
- 3 (6%) were carried over for reporting in quarter 1 of 2023/24.

Through our review, it was clear that the Council uses both non-financial and financial information to identify areas of improvement. Non-financial information includes data on performance against key indicators. The Council collects this information through performance monitoring tools and uses it to identify areas where services may be falling short of expectations or where improvements can be made.

Financial information, such as budget reports and spending data, is also used to identify areas of improvement. The council analyses spending patterns and budget variances to identify areas where savings can be made or where resources can be reallocated to more effective services. This analysis is informed by a range of financial data, including income and expenditure reports, cash flow forecasts, and balance sheets

By combining non-financial and financial information, the Council can develop a comprehensive picture of its services and operations, identifying areas of strength and weakness. This information is used to inform the Council's improvement plans, which set out the actions that will be taken to address areas of concern and improve services for residents. The council regularly reviews its performance against these plans, using both non-financial and financial data to track progress and identify further areas for improvement.

# Improving economy, efficiency and effectiveness

## MBOS

The Corporate Management Team approved the Modernising Back Office Systems Programme (MBOS) in September 2019 to replace the current Enterprise Resource Planning (ERP) tool - SAP. The MBOS Programme aims to introduce a new system, Oracle, which can better meet the existing and future needs of the Council and provide optimal return on investment.

The Council has been working with Internal Audit who have been offering support to the Council in relation to the MBOS project in the form of ad-hoc advice, challenge, and support at the Programme Board meetings. In addition to this, Internal Audit have conducted a series of internal audit reviews on MBOS helping to ensure adequate controls in proposed business processes, disaster recovery, and business continuity arrangements. business readiness and system cutover. Once the system goes live, Internal Audit will carry out further work in relation to delegations, authorisations and system access.

This has been a challenging project for the Council to deliver requiring various inputs and updates from finance, HR and procurement systems. The project was due to go live in April 2023, however due to User Acceptance testing which was not in line with original expectations and the Council's commitment to only move to the next phase once the quality standards have been met there was an official delay announced with a revised go live date in November 2023. There was due to be a roll out of training on the new system in September in preparation for the revised go live date with the results from the first round of parallel running of the payroll 80% accurate which was viewed as being an acceptable result.

As of November 2023, the MBOS project go live was delayed as a result of a failed second gateway process, due unsatisfactory results from the second round of payroll testing The go live date of November 2023 has been pushed back to an unannounced go live date. The Council is now bringing in external consultants to review the programme and determine options to take it forward. Although costs are currently within the revised programme budget, there is a risk that the programme slips further, costs will accumulate and could impact on the ongoing financial viability of the project. We understand that the Council is closely monitoring the ongoing costs and implications of the delay at the MBOS Board meetings. In our view, the decision to pause the programme pending review is evidence of a robust governance process around the project and an effective approach to risk management. Our experience of other councils where there has been a premature implementation of ERP systems that are not functioning to an acceptable level can be highly damaging and expensive to remedy, and it is therefore prudent for the Council to have taken this approach. We will continue to monitor progress in 2023/24.

## Partnership working

The Council has a range of partners, including other local authorities, the NHS, regional and national bodies, and voluntary and community organisations. Key partnerships include the Health and Care Partnership, Southeast LEP, Strategic Property Asset Collaboration in East Sussex (SPACES), and aforementioned Orbis partnership. In regular monitoring to Cabinet and other Committees, detailed reporting and updates are provided on the progress that these partnerships are making and the value they bring to the Council as a whole.

The Orbis partnership has been pared back in recent years, but continues to make a contribution to Council operations. This is a collaboration between East Sussex County Council, Surrey County Council, and Brighton & Hove City Council, aimed at delivering shared services and improving efficiency across the three councils. In 2021/22 finance, HR and business operations moved from the Orbis shared services arrangement to in-house provision within the Council which has resulted in a successful re-integration. Other services such as procurement and internal audit remain with the partnership. This provides good evidence of the way that the Council actively manages its partnerships and has been prepared to adapt its arrangements based on performance and value for money.

East Sussex Council is part of the Sussex Health and Care System, the integrated care system for the population of Sussex. They are a statutory partner member of the NHS Sussex Integrated Care Board (ICB) and the Sussex Health and Care Assembly along with West Sussex County Council and Brighton and Hove City Council., and a range of voluntary, community and social enterprise partners.

The Sussex Health & Care Assembly and system partners have agreed the Sussex Integrated Care Strategy, called "Improving Lives Together" which sets out ambitions over the next 5 years. This provides a framework to work together on benefitting local people with a focus on building integrated teams to work in a more joined-up way, growing the health and care workforce, and improving the use of digital technology and information.

# Improving economy, efficiency and effectiveness

## Commissioning and procurement

The Council has a joint procurement partnership function across three Local Authority's as part of the Orbis framework. The arrangements of this procurement function include each directorate having their own business partner who is responsible for managing the procurement function. There is a dedicated team look at contracts with value up to £500k and anything above this threshold is referred to the strategic procurement team. Orbis's operational model also includes a procurement hub which consist of thirty-five managers and specialists.

The resourcing of the procurement project is based on skillset and capacity and the appropriate seniority when assigning an individual to a procurement project with the objective being to make the best use of the talent and effectively manage the peaks and troughs and deliver a better use of resource.

Once a contract has been delivered this is then delegated to the appropriate department within the Council to manage. Orbis provide training and support for East Sussex staff to allow for the smooth transition of the contract handover and effective managing of it. This service is accompanied by a 'hotline' type service where departments can approach the procurement function for any queries. In addition to this support there is now a procurement intranet site for staff to access training, guidance and key documents. The revised procurement strategy is being written by the Head of Procurement but has not yet been finalised.

There has been a change in the project management system (PM3) to manage every contract through the lifecycle which previously was being carried out over six spreadsheets. Our prior year recommendation regarding the creation of a contract register is paused pending integration with the new ERP solution when this is resolved via the MBOS programme.

There is a tender waiver recording system in place now which is reported to the Governance panel, reported to SLT and CMT. The revised process for tender waivers is being built into financial regulations and constitution.

In response to the readiness for the government's upcoming Procurement Bill, there is a policy team that includes a procurement technical lead whose experience at the cabinet office in a prior role has brought key knowledge to the procurement team. Once there is clarity with the upcoming Bill, a training programme will be designed by Orbis and rolled out to staff.

## Conclusion

The Council has experienced positive albeit mixed performance in 2022/23 across its service delivery targets, in challenging economic circumstances. Performance reporting combines both financial and non-financial information to provide a comprehensive overview of corporate performance on a regular basis. We note that the Council has made improvements to procurement practices, including a recent review of the Contract Register as part of the Procurement Modernisation Programme. Improvements to the Councils financial management and other systems as part of the Modernising Back Office Systems Programme (MBOS) are still in progress and the Council has applied strong programme management controls to ensure that implementation does not take place until the system is fully tested and ready for use. Contract management training has now been made available and a contract Management Advisory Service (CMAS) is currently being piloted. Our work has not identified evidence of a significant weakness in arrangements for achieving economy, efficiency and effectiveness.



# Improvement recommendation 2

## Improvement Recommendation 2

The Council needs to complete the external review of the MBOS project to deliver a new integrated finance, payroll and HR system and act promptly on the options presented to ensure and adverse impact on value for money is mitigated or minimised.

## Summary findings

As of November 2023, the MBOS project go live was delayed as a result of a failed second gateway process, due to unsatisfactory results from the second round of payroll testing. The go live date of November 2023 has been pushed back to an unannounced go live date. The Council is now bringing in external consultants to review the programme and determine options to take it forward. Although costs are currently within the revised programme budget, there is a risk that the programme slips further, costs will accumulate and could impact on the ongoing financial viability of the project. We understand that the Council is closely monitoring the ongoing costs and implications of the delay at the MBOS Board meetings.

## Criteria impacted

Improving economy, efficiency and effectiveness

## Auditor judgement



There is no significant weakness in this area however we have identified a potential area of improvement.

## Management comments

We support the recommendation and the work described is underway.

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

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
1	The Council should consider implementing a longer 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 over 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.	Improvement	March 2023	There is significant pressure within local government particularly with regard to social care services. There remains very little certainty regarding government funding streams or income flexibilities. Whilst a longer term MTFP is an aspiration, given the level of non-information, the focus is on managing the now.	No	Yes
2	The Council should 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.	Improvement	March 2023	External Consultants have been commissioned to support the service identify opportunities to mitigate costs whilst meeting the needs of children. With a focus on reviewing packages of care, seeking opportunities to meet need in a more cost-effective way, improve foster carer levels and developing a model that will support the MTFP.	Yes	No
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).	Improvement	March 2023	Full Council on 10 October 2023 will look to agree the appointment of at least 2 independent members to the Audit Committee. Before we go out to advert , the Audit Committee has agreed to undertake a self-assessment to identify any gaps that should be recruited to address.	Yes	No
4	Undertake testing to ensure that that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately with sufficient controls to avoid loss of data.	Improvement	March 2023	The Council's contract register has been recently reviewed and update as part of the transition to the new ERP solution currently being implemented. The new procedures being established around the maintenance of this register have been built and tested in preparation for go-live.	Yes	No

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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.	Improvement	March 2023	Contract Management training is now readily available through the e-learning portal. Furthermore, the proposed Contract Management Advisory Service (CMAS) is currently being piloted within Health and Social care to drive greater impact, controls and benefit through the effective management of contracts.	Partly	Yes – the training should be reviewed to ensure it is addressing the needs of contract managers.

# Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 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 conducted our audit in accordance with:

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

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

## Audit opinion on the financial statements

Our audit of the Council's financial statements is ongoing. An indicative Audit Findings Report has been issued to the November Audit Committee meeting which sets out the areas of ongoing work and some delays which we have experience in obtaining information/responses necessary to complete the audit. We are working towards completion of the audit by Christmas 2023.

More information can be found in our AFR which is reported to the November 2023 Audit Committee meeting.

## Whole of Government Accounts

We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.



# 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.

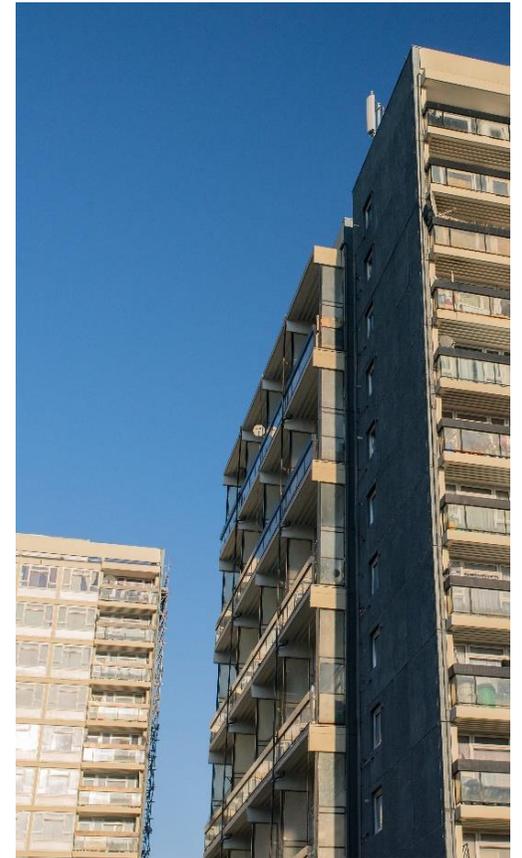
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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	13,20



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