

Auditor's Annual Report on North Somerset 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.



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 Swindon Borough Council (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	2021/22 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements
Financial sustainability	No risks of significant weakness identified.	G No significant weaknesses in arrangements identified, or improvement recommendations made.	A No significant weaknesses in arrangements identified, but one improvement recommendation made.
Governance	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendations made.	G No significant weaknesses in arrangements identified, or improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendations made.	A No significant weaknesses in arrangements identified, but one improvement recommendation made.

G No significant weaknesses in arrangements identified or improvement recommendation made.

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

R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

Our work has not identified evidence of significant weaknesses within the arrangements on how the Council plans and manages its resources to ensure it can continue to deliver its services. However, we have raised three improvement recommendations. The first two are in relation to monitoring delivery of capital expenditure programme and strengthening the link between strategic priorities and the capital programme, specifically the capital programme could be categorised by outcomes identified within particular Council Plan outcomes. Thirdly, there should be formal reporting to Executive Committee members on the sensitivity analysis and the scenario planning that is undertaken on key assumptions and estimates as part of the development of the annual budget and Medium-Term Financial Plan. See page 15 for more detail.



Governance

Our work has not identified evidence of significant weaknesses within the arrangements in place for how the Council makes informed decisions and properly manages its risks. Strategic risks are included within the overall risk assessment framework and are monitored and managed through the corporate risk registers. We consider that appropriate arrangements are in place to ensure all relevant information is provided to decision makers before major decisions are made. The Council has appropriate arrangements in place to monitor compliance with legislation and regulatory requirements.



Improving economy, efficiency and effectiveness

Our work has not identified evidence of significant weaknesses and the Council has appropriate arrangements in place in its oversight of economy, efficiency and effectiveness. We have identified an improvement recommendation in relation to how the Council might pay close attention to this delivery of the action plan arising from recommendations in both Ofsted inspections; doing what it has agreed to do, on time, can help to rebuild complainants' trust and confidence after things have gone wrong. See page 23 for more detail.



Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 2 October 2023, following the Audit Committee meeting on 21 September 2023. Our findings are set out in further detail on pages 31 to 32.



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.

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 7 to 25.

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. As at October 2023 it had fallen further back to 4.7%, but is still higher than in recent years and the last peak of 4.8% in September 2008. 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 issued 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

The Council provides a full range of local government services including housing, waste collection and disposal, education, social services, libraries and planning. It is also a billing authority for collection of council tax and business rates

The Council is elected every four years, electing a total of 50 councillors in 20 single-member wards and 15 two-member wards. Since the first election to the unitary authority in 1995, the Council has either been under Conservative party control, or no party has held a majority. The Conservatives gained a majority at the 2007 election and retained control until the 2019 election. Since the May 2023 local elections, there has been a joint Conservative and Liberal Democrat administration. In 2023, this approach was reinforced and the Council Partnership Administration of Liberal Democrat, Labour, Green and independent councillors was refreshed.

The Council Plan priorities include providing greater support for local businesses and a reduced dependence on long-distance travel. In addressing the challenge of providing housing, health, jobs and infrastructure for current and future generations, the Council is seeking to make use of technology and sustainability. The Council Plan highlights the ambition of the Council to develop living and working spaces, with minimal environmental impact, offering access to community, education, jobs, leisure and travel.

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's 2022/23 budget (agreed by the Executive and Full Council in February 2022) set net revenue expenditure at £185.475m. This was based on a council tax increase of 2.99%, comprising 1.99% for the basic amount of council tax and a specific adult social care precept of 1%, in accordance with Schedule 5 of the Localism Act 2011 and therefore did not trigger the requirement for a local referendum.

Key assumptions in the approved 2022/23 budget included, a new grant of £626k allocated to cover the first year of the social care reforms, specifically aimed at sustaining the market and providing a fair price for care. The Council's spending plans have also been adjusted by this sum and funding was ring-fenced to ensure that spending plans meet the relevant criteria. Further sums are expected in later years to fund changes associated with other reform measures, such as the 'care-cap', although no details have been provided at this time. The budget confirmed the values and distribution methodology for existing social care grants, with the council's share reaching £8.095m in 2022/23 which is slightly higher than the previous forecast and will be maintained and included within future budgets. A further year of the new homes bonus grant, on top of the final legacy payments, the council's forecasts reflected the legacy payment and so the resources budget was updated to include the latest one-off award of £1.5m in 2022/23, reversing in 2023/24. This was ring-fenced and used as one-off fund to support capital planning, feasibility and investment proposals. A Services grant (lower tier) – a new allocation of £224k was awarded to the council for 2022/23 which was not included within the previous forecasts. This grant is a one-off and has been included for 2022/23 only.

The Medium Term Financial Plan (MTFP) (2022-2025) commentary on significant or notable areas highlighted the assumptions made included cost and demand pressures in the Council's adult social care budgets which are significant and not fully funded by the Government. The MTFP commentary includes the measures the Council has put in place to manage the costs pressures and manage demand. For example, the MTFP highlighted the introduction of 'cost and volume' models in areas such as social care, waste services and home to schools' transport, which are linked to projected numbers and volumes of activity or service provision, with the costs that are paid to providers. Planned increases in service spending total £8.7m, with £5.5m relating to increased care provider costs driven by a 6.6% increase in the National Living Wage which was announced by the Government in the Autumn of 2021, plus increases in employer National Insurance contributions for the Health and Social Care Levy. Demographic pressures were estimated to lead to increased costs of £1.5m; these relate to the increasing numbers of older people needing services and the number of children with complex needs moving into adulthood.

By way of example, population estimates indicate that there will be around 1,000 more people aged 75 and over in North Somerset in 2022/23 and more than 20 young people who reach 18 that will need adult social care support. Planning growth in spend in Children's Services totals £2.1m and is largely split into two categories – existing cost pressures and investment to deliver service improvements. Additional growth of £460k is needed within the budget for next year so that the council can continue to support families with disabled children. Other new investment of £1.1m is being included within the budget to support the council's improvement plan for social care and children with special educational needs and disabilities. Within the Council Corporate Services and Place Directorate additional resources were allocated to address specific service-related issues such as the Ash-Dieback programme, investment in Information and Communications (ICT), cyber security and capacity in the council's website and communications services. Other budgeted expenditure increases related to increased costs pressures, such as insurances, and sustained reductions in income budgets.

The 2022/23 budget report included climate related implications within the revenue expenditure budget and these are integrated into the budget in ways in which services are being considered and delivered. For example, the budget reflects provision for increased energy costs however, the procurement activity associated with assessing what types of energy to purchase and where to buy it from, now also include objectives linked to achieving 'greener' outcomes. Similar considerations were taken into account when re-procuring the parks and Streetscene contract, as re-wilding and other environmental impacts were assessed. The Council also has the ability to influence the environmental impacts when investing in services and projects, further details relating to planned investments for next year are included in the Council annual Capital Strategy report.

Financial sustainability (continued)

Short and medium term financial planning (cont.)

The Council 2022/23 budget incorporates the Council's involvement with North Somerset Environment Company Ltd (NSEC). NSEC is a wholly owned subsidiary of the Council, incorporated on 26th October 2020, with a share capital of one ordinary share of £1. The principal activity of the company is the provision of waste and recycling services for the Council.

The budget for 2022/23 also details the Council's involvement with the North Somerset Bus Service Improvement Plan (BSIP) which allocates capital funding awards of £47.98m allocated to the Council, and indicative revenue funding award of £57.51m allocated jointly to the West of England Combined Authority and the Council. The proposed outline BSIP delivery commissioning plan for delivery of the Bus Service Improvement Plan works programme across North Somerset commencing in autumn 2022.

2022/23 financial performance

The 2022/23 budget out-turn report (to Executive in June 2023) highlighted the council delivered a small under spend of £418k, or 0.23% of the net revenue budget. Savings plans were achieved in full, with £4.6m delivered which was higher than the planned budget of £4.2m. The council's general reserve balance at the start of the year was £9.1m, which equated to 5.25% of the original net budget of £185.5m. This reserve is not held to fund spending priorities, instead it treated as a working balance to cover unforeseen or unavoidable financial risks.

There was a potential requirement to use the general fund reserve for any residual revenue overspend remaining at the end of the financial year. However, as the Council has achieved an under spend on the revenue budget for 2022/23 the closing balance on the reserve increased to £10.16m, or approximately 5.48% of the net revenue budget.

The 2022/23 Capital Outturn report (to Executive June 2023) highlighted the Council's overall programme (2022/23 to 2026/27) totals £391.2m, £109.9m of which relates to the 2022/23 financial year. The Council spent £66.5m during 2022/23, which equated to 61% of budget for the year, the Council has also placed commitments for schemes totalling a further £15.7m.

This is a significant increase in the scale of capital delivery over previous years, and given the Council's recent track record of significantly under spending on the capital programme, we have made an improvement recommendation on page 15 relating to monitoring of capital expenditure to address the under-delivery of the capital expenditure programme.

Table 1 (below) highlights the Council's performance on key financial performance metrics 2021/22 and 2022/23.

Table 1 – Key Financial performance	2022/23	2021/22
Planned revenue expenditure	£185.5m	£176.7m
Actual revenue expenditure	£185.1m	£176.0m
Planned capital spend	£109.9m	£94.4m
Actual capital spend	£66.5m	£45.4m
Planned savings target	£4.2m	£7.5m
Actual savings delivered	£4.6m	£7.5m

Financial sustainability (continued)

2022/23 financial performance (cont.)

2022/23 Treasury Management performance reported to Audit Committee in September 2023 highlighted, following a series of bank base rate increases during 2022/23, gross interest income earned on all investments was £3.35m, against a budget of £0.69m. Investment returns - the average rate of investment return for cash deposit type investments managed by the Council for 2022/23 - was 1.62% and returns of 4.32% being achieved on external pooled fund investments. The Council's treasury strategy contained a borrowing requirement of £49m for 2022/23. Changes to capital forecasts have been reported through the corporate monitoring process and as of 31 March 2023, the council had not drawn down any further external borrowing. £6.8m of borrowing was repaid, as planned, during 2022/23.

Identifying savings

MTFP savings are part of the financial reporting framework. Savings are considered and discussed on a regular basis between the Executive Committee members, the Service Director and the Chief Executive. The section 151 Officer is also part of the meeting and assists members talk through the savings and assess any further implications.

Budget proposals for savings are supported by an equality impact assessment (EIA). Draft EIAs were published on the Council's website in December 2021 and a stakeholder discussion group was held in January 2022 to share information around medium impact EIAs.

The Budget and Council Tax Report 2022/23 noted that £4.2m of agreed budget savings and cost reductions were required to be delivered. This included savings in Adults of £1.14m, Childrens of £0.61m, Corporate Services of £0.70m and Place Operations of £1.28m.

Based on the Council's reserves position and MTFP, we consider the Council has sufficient reserves to act as a contingency for the current MTFP if the Council fails to fully identify the required savings. Our review of recent years savings target delivery highlights the Council has a good track record for delivery of savings targets.

Financial planning and strategic priorities

The Council's financial planning approach sets out the cost of delivering core statutory services as distinct from discretionary areas of spend. Financial planning reports which support the budget and MTFP highlight all spend is prioritised towards the delivery of core services and achievement of Council Plan priorities. Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources as well as providing focus for its change programmes.

The MTFP is the framework for how the Council plans to use its financial resources to deliver activity on the Council's outcomes. The Council considered the MTFP one of three key strategic documents: linking/ interconnecting the MTFP to the Corporate Plan and the People strategy, the other two key strategic documents. We are satisfied the Council MTFP is appropriately integrated with the Corporate plan acting as the foundation to deliver the vision and priorities within it and the People strategy, which is the framework to develop the workforce to achieve Council Priorities

The Council's priority outcomes are set out in the Council Corporate Plan 2020 - 2024. The outcomes which drive the work of the Council, and the strategic planning process are:

- Making North Somerset a thriving and sustainable place,
- A Council which empowers and cares about people,
- An open and enabling organisation.

£790m of cash-flows were managed during the 2022/23 period; this is broadly comparable with the equivalent period in 2021/22 (£789m). Non-treasury management activity relating to commercial investments provided an annual yield of 2% in 2022/23 before a contribution to a reserve of £1.1m to smooth annual fluctuations on the council's revenue budget if needed.

The 2022/23 Capital Strategy (presented to the Executive in February 2022) highlighted new capital investment requirements through to 2025/26, resulting in an increase to the capital programme of £38.7m in 2022/23 for a range of new investments. These included in relation to children and young people, delivering better basic services, investing in communities and tackling the climate emergency. The revised borrowing impact within the capital programme was £94.3m for approved schemes to 2022/23 the Council highlighted this could rise to £138.0m by 2026. The new capital schemes approved set out in this report require additional borrowing of £6.3m. There is appropriate commentary explaining the affordability of increases to the resulting estimated net revenue impact will be and this has been included in the MTFP.

We have identified that there is an opportunity to strengthen the link between strategic priorities and the capital programme, and the capital programme could be further categorised by Council Plan outcomes. This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme, and we have made an improvement recommendation relating to this on page 15 regarding this.

Financial sustainability (continued)

Managing risks to financial resilience

The MTFP set out key risks to delivery and the actions to mitigate each risk identified. The MTFP was presented and discussed by the Executive in February 2022 allowing for scrutiny and questioning (before presentation to full Council). The MTFP highlights the Council's reserves form an important role in managing uncertainty, including demand pressures in children's and adult social care, and wider demographic pressures on services. Inflation is a key risk, in particular energy prices and supply chain pressures.

The impact of inflation on actual expenditure compared to budget is appropriately highlighted in the 2022/23 out-turn report, which provides detailed budget performance analysis. The Council takes appropriate action to update financial plans to reflect changes in government policy. Where required, the Council has sufficient provisions in place to consider the impact of legal and regulatory proceedings.

The Council have appropriate arrangements in place to monitor these budget risks and review and update the MTFP where required. The potential impact of changes to various estimates and assumptions is discussed with the Executive as part of the briefing process in the development of the budget. However, the impact of changes of various estimates and assumptions is not formally reported to members.

In prior years we identified that management had not included formal reporting to Cabinet members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. This provides transparency on the sector wide uncertainties the council is subject to and the potential impact of these on its financial sustainability. Our review of arrangements in 2022-23 noted that scenario planning and sensitivity analysis was included as part of the budgeting process but was not included in formal reporting to members. This was in line with the prior year recommendation as reported on page 24. We have continued to review arrangements, up to the date of issuing of the report and have noted that scenario planning is included within the 2023-24 budget process. We will assess the robustness of this analysis within our review of the 2023-24 arrangements. We consider that the prior year recommendation has been addressed.



Financial sustainability (continued)

Reserves and risk mitigation

Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report on the robustness of estimates within the budget and the adequacy of levels of reserves. As part of the 2022-23 budget the Section 151 officer recommended the level of General Fund (GF) balance should equate to between 4% and 6% of the authority's revenue budget. In 2022/23 due to the surplus outturn position for 2022/23 the Councils level of General Fund balance was increased to £10.16m (5.48% of net revenue budget) at the year end. Due to the uncertainties affecting local authority budgets the Chief Financial Officer has noted that the minimum level of reserves is £9m with £11m being the ideal.

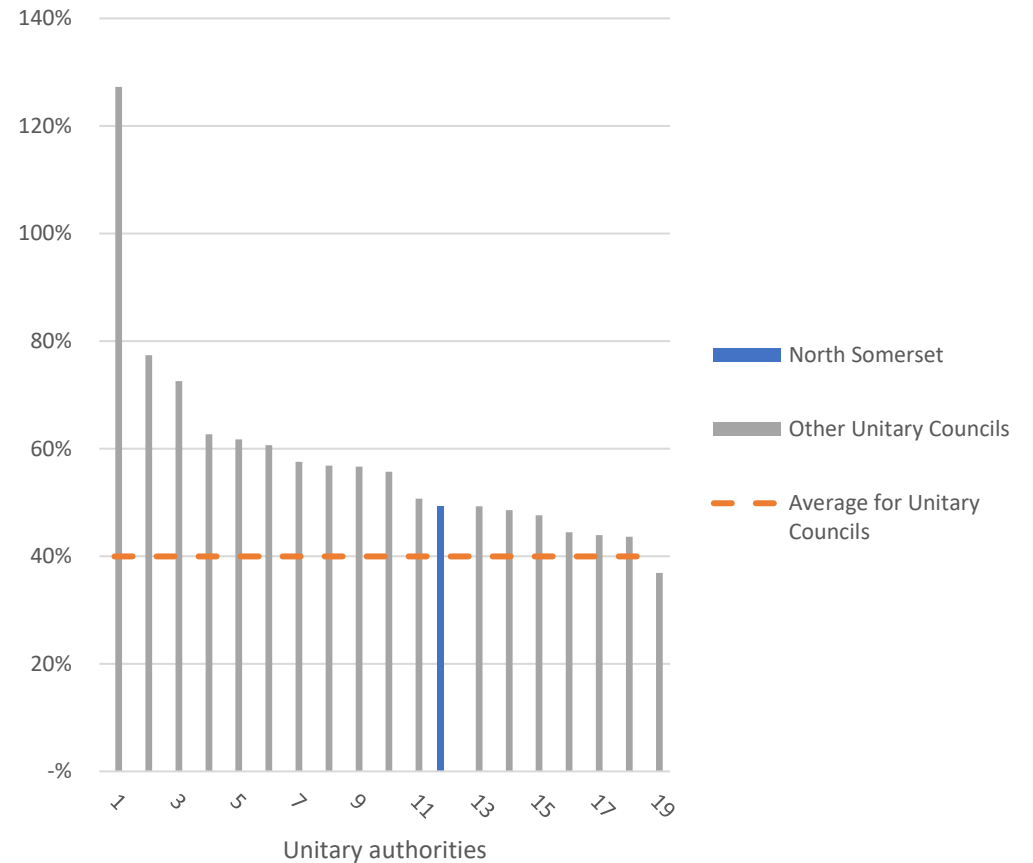
The key issues highlighted by the Section 151 Officer in the Section 25 report included:

- Continuation of financial uncertainties including Covid-19.
- Potential unforeseen and material remediation works to infrastructure assets.
- Other material contract failures.
- The increasing cost and demand pressures for adult and children social care.
- The risk surrounding the non-delivery of savings and exceeding investment proposals with the budget.
- The extreme financial issues for the public sector arising from the prevailing and continuing national and local conditions.

The Section 151 Officer confirmed that the 2022/23 budget was prepared robustly and was achievable. We are satisfied the level of reserves appear adequate given known current developments and challenges and is in line with the Council stated objective. The budget for 2022-23 highlighted the following – “At the end of 2022/23 it is projected that the General Fund Balance is forecast to be £9.744m, or 5.25% of the council's net revenue budget which is within the acceptable range.” As already noted, the Council reserve position at the end of 2022/23 exceeded this target.

Balancing the 2022/23 budget was not dependent on the one-off use of reserves. There is no evidence that that the Council has depleted the level of revenue reserves to an unsustainable level. The unallocated General Fund balance has increased to £10.16m having been maintained at £9.05m since 2018-19. Chart 1 opposite shows the Council's position relative to other benchmarked authorities for the General fund measure is above average.

Chart 1 - 2022/23 General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Financial governance

Annual budget setting

The Council has an established process for developing its annual budget and MTFP. The development of the budget commences with the rolling forward of the budget from the prior year. The budget is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates. Prior year assumptions are reviewed, including inflation rates and Council Tax base. Updates are then made to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base. The Budget is frozen to prepare the February Executive Report.

The Council's MTFP covers a rolling three-year period. A report was brought to Executive in December 2021 which outlined the approach to updating the MTFP for 2022/23. The MTFP update report contained the financial planning assumptions for the period of the new three-year MTFP set within this Corporate Plan. It updates the 2022-2025 Budget Planning position and proposed the approach that will be taken to deliver the savings required to achieve a balanced budget over the three-year period. The report is clear on the challenges facing the Council, which include the ongoing impact of the pandemic, pressure on services and uncertainty about central government funding.

The 2022/23 Budget and MTFP to 2022- 2025 was agreed by Executive (and subsequently Full Council) in February 2022. We consider there to be a good level of engagement from budget holders, divisional leadership and executive leadership in the annual budget setting process. The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation.

Risks are incorporated into the MTFP, there is a section of the MTFP highlighting key risks to delivery of the MTFP and the actions to mitigate each risk identified.

Table 2 (opposite) highlights key 2023/24 budget targets agreed in February 2023. The Council has a good track record of deliver savings to targets, we have made an improvement recommendation earlier in this report relating to delivery of capital programme expenditure.

Table 2 - 2023/24 key financial performance measures	2023/24
Planned revenue expenditure	£202.1 m
Planned capital spend	£112.8 m
Planned savings	£10.4 m
Planned savings as a % of income	5.15%

Budgetary control

The Council has appropriate systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders and there is monitoring at a service, directorate and corporate level. The Council has detailed in year oversight of the budget at a high level, with bi-monthly budget monitoring reports taken to Executive. These reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves. A quarterly update is also provided against the Capital Programme, with revisions also communicated. We are satisfied that timely and accurate financial monitoring information is provided to budget holders.

Conclusion

The Council has a track record of appropriate financial management arrangements. The Council understands the financial risks which it faces and manages these risks by maintaining an appropriate level of reserves in accordance with its stated reserves objectives in the MTFP.

Overall, we are satisfied that the Council has appropriate arrangements in place to manage the risks it faces to financial resilience. We have not identified any risks of significant weakness but have identified one opportunity for improvement, detailed on page 15.

Improvement recommendations

Improvement Recommendation 1

The capital programme supports the delivery of strategic priorities. To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within particular Council Plan outcomes. This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme.

Allied to this the Council should continue to closely monitor delivery of the capital programme to highlight any slippage and provide an update for management actions to address the under delivery.

Improvement opportunity identified

This would demonstrate clearly how the council is delivering their Council Plan outcomes through the capital programme.

Summary findings

The Capital Strategy (presented to Executive February 2022) highlighted capital strategy and new capital investment requirements through to 2025/26. This included an increase to the capital programme of £38.7m in 2022/23 for a range of new investments relating to children and young people, delivering better basic services, investing in communities and tackling the climate emergency. It also included an assessment of the revised borrowing impact within the capital programme of £94.3m for approved schemes to 2022/23, which could rise to £138.0m by 2026. The new approvals set out in this report require additional borrowing of £6.3m. The resulting estimated net revenue impact will be built into the MTFP.

The 2022/23 Capital Outturn report to Executive June 2023 highlighted the council's overall programme totals £391.2m, £109.9m of which relates to the 2022/23 financial year. The capital summary shows that the council spent £66.5m during 2022/23, which equated to 61% of budget for the year, although has placed commitments for schemes totalling a further £15.7m which would increase the spending to 75% of the budget. This is a significant increase in the scale of capital delivery over previous years.

Criteria impacted



Financial sustainability

Auditor judgement

Clear detailed links highlighting how planned capital projects link to the Council Plan would enable members make informed decisions and challenge Capital Strategy assumptions to help ensure forecasts remain accurate.

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.

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.

Management comments

The Council have taken steps to improve the governance arrangements and clarity of financial monitoring to members throughout 2022-23 and this process is now embedding and has been recognised by both the chairs of the audit committee and PCOM scrutiny. Significant variances in the capital budget are now reported in the Executive budget monitoring reports, including narrative.

We recognise that the council is experiencing significant slippage in its capital programme, in common with many other local authorities, and steps are being taken to improve the allocation of budgets to align with deliverability. We will ensure that capital reporting for 2024-25 recognises the link to our new Corporate Plan.

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 Strategic Risk Register (SRR) is clearly set out, with a risk owner, concise description and key controls to manage the risk. The Council has a current Risk Management Policy (September 2022), Process Guide and Toolkit to ensure consistent scoring of risks across all Directorates. The SRR has appropriate detail highlighting the actions in place to mitigate and manage all risks identified. The Council provides appropriate training on risk management. The Council's Risk Appetite was unchanged throughout 2022/23. As of September 2023, there are eleven risks that have been identified and included on the SRR risk register of which six have a residual high-risk rating. These are:

- Coastal flooding which negatively impacts on people, businesses and communities
- Cyber-attack which damages the infrastructure of the Council
- Failure by the Council to meet the 2030 net zero target
- An inability of the Council to balance its budget
- An inability of the Council to deliver capital projects within the approved resource envelope
- The condition of the corporate estate/assets pose an increasing financial, operational and reputational risk

Of the remaining five there are three that are considered low/medium risk and two which are medium/high.

The Council SRR has appropriate detail for all risks, each of which have an inherent risk score, existing mitigations and controls, a residual risk score and further mitigations and controls to be put into place.

The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. The Executive also receives reports relating to risk management and monitors the corporate risk register, as well as being responsible for key decisions and for initiating corrective action in relation to risk, performance and internal control issues. The risk management strategy and the SRR is regularly updated in consultation with Corporate Leadership Team (CLT) and presented to Audit Committee with the most recent report presented in September 2023. The SRR quarterly performance monitoring report is formally reviewed at CLT meetings, most recently in September 2023, with the meeting making detailed and substantial feedback comments on the document.

Due to the May 2023 local elections, there were no Audit Committee meetings between March 2023 and September 2023. The Council has Internal Audit arrangements in place with Internal Audit services provided by Audit West an external company who have provided the service to the Council for a number of years. The Head of Internal Audit's Annual report is presented to Audit Committee. The 2022/23 overall opinion regarding the Council's governance, risk management and internal control arrangements was that they were satisfactory (reasonable assurance) resulting in a moderate risk assessment.

Governance (continued)

Risk management and internal controls (cont.)

The Head of Internal Audit's Annual Report for 2022/23 noted that planned audit reviews (43 out of original plan of 48) had been completed, with just one report remaining in draft pending management response. The Internal Audit service, at the request of the Council Corporate Leadership Team (CLT) agreed to defer the remaining five audits into the 2023-24 plan. There were two audit reports issued where it was considered that the overall systems of internal control provided 'Limited Assurance', these related to Information and Communications Technology and Mandatory Training for Staff – both have been followed up with management to confirm that the recommendations have been implemented.

The Internal Audit service completed one detailed investigation in the 2022/23 year which related to allegations made against an employee. An in-depth review of the project management and decision-making process around the council's Garden Waste subscription service was also completed. 100% of recommendations due to be implemented in 2022-23 were followed-up by the Internal Audit service. Two recommendations made within audit reports were not agreed as management believed that there were sufficient mitigations which were agreed with Internal Audit.

Included in the 2022/23 Annual Governance Statement (AGS) were details of an internal audit report (submitted to Audit Committee in September 2023) which reviewed the arrangements relating Clevedon Seafront/ Hill Road Scheme and the review identified several issues, some of which if approached differently, would have contributed to better outcomes for this scheme. These included the budget for the project which evolved from originally being a relatively straightforward scheme with an estimated cost of £200,520, to a much bigger c£1.5m project and timings which were a constant challenge throughout the scheme. As such, there are learning points for the organisation in managing projects of this nature which should be considered in the future. The overall theme highlighting the need for closer monitoring (and early warning of risks) resulting from any deviation in spend from that anticipated within the original scheme design is included in the previous improvement recommendation on page 15.

In developing its 2022/23 AGS, the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. Our work highlighted the effectiveness of the Councils governance framework including its system of internal control, this included review of minutes of Audit and Assurance Committee, Cabinet and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed. This provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2022/23 year. This was corroborated by our 2022/23 financial statements audit and review of the 2022/23 AGS.

The Council seeks to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption policies are kept under close review. The Council has a Whistleblowing policy to encourage individuals to raise issues of concern in a safe environment. The Council has not been subject to any material frauds in year.

The Council subscribes to Protect (formerly Public Concern at Work), who provide an independent confidential service where employees can report issues where they do not wish to use the internal processes.

The Council has established a Corporate Fraud team who investigate allegations of external fraud against the Council. Internal Audit investigate any employee fraud. The Council's counter fraud and anti-corruption arrangements are in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014 .

Fraud awareness work took place during 2022/23, including through articles in the staff newsletter, online training and introduction of bespoke training videos and participation in the National Fraud Initiative. This awareness work helped lead to an attempted fraud of £58k being prevented. The Council's Counter Fraud Strategy, the Whistleblowing Policy, the Anti-Money Laundering Policy, and the Anti-Bribery and Corruption Policy were reviewed and updated during the year. We consider the Internal Control framework is satisfactory, based on internal audit opinions.

Informed decision making including the Audit Committee

The Council operates a Leader and Cabinet form of Executive. In addition, there are various scrutiny committees which hold the Cabinet to account. The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated, most recently in July 2023. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Constitution 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.

Our review of Executive, Full Council, Audit and Assurance Committee and other committee minutes indicates that key strategic decisions are subject to appropriate challenge and are supported by detailed papers. Senior officers are open to conversations during committee meetings. Senior officers attend to present their own area items and to respond to any questions. We have not seen evidence of discussions not being open. The Audit Committee provides appropriate challenge of financial and non-financial items. The members of the Committee have a good mix of experience and expertise and is supplemented by Independent Members to provide further challenge and expertise. The Committee is well attended with minimal absences.

Governance (continued)

Informed decision making including the Audit Committee (cont.)

The Council carries out a wide range of public consultation including consulting stakeholders on the draft budget for 2022/23. The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with Trade Unions; engagement with Area Management Teams; posts on the internet; intranet and use of social media.

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website. The Council has a Consultation Policy that sets out the Council's commitment to effective and efficient public consultation and sets the expectation that this commitment will be consistently applied, particularly in relation to the Council's key decisions. The Council consult with residents, businesses, partner bodies and other stakeholders and will use the results of the consultation to inform its decision-making processes, to develop and refine its policies, and to drive improvement in the services for which it is responsible.

The Council has appropriate performance in relation to overall AGS and Head of Internal audit opinion. The latest Ofsted opinion is supported by an agreed action plan which the Council is implementing. The Council's performance against a selection of key governance metrics for 2022/23 and 2021/22 is set out in the table 3 below.



Table 3- Council's performance against a selection of key governance metrics	2022/23	2021/22
Annual Governance Statement (control deficiencies)	Moderate	Moderate
Head of Internal Audit opinion	Satisfactory	Satisfactory
Ofsted inspection rating	Requires improvement to be good	Requires improvement

Governance (continued)

Standards and behaviours

The Council's constitution highlights how the Council will communicate the behaviours expected of staff and members. The AGS sets out that the Council has approved and adopted a code of corporate governance. The AGS is included in the annual review of the Constitution undertaken each year by the Assistant Director of Legal and Governance who is also the Council Monitoring Officer.

Review of the AGS and minutes of the Audit and Assurance Committee, Cabinet and Full Council meetings highlighted the effectiveness of the Councils governance framework including its system of internal control to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed. Review of Council meeting minutes and papers highlight there is evidence of leadership from senior officers and members in respect of meeting legislative/regulatory requirements and required standards of behaviour. We consider there to be an appropriate culture at all levels of the council, review of committee minutes highlighted no significant breaches or issues have been raised with or reported to committees.

We consider the monitoring provides appropriate assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2022/23 year. This was corroborated by our 2022/23 financial statements audit and review of the 2022/23 AGS.

The 2021-2025 Procurement Strategy includes process to ensure it meets legislative and regulatory standards. The Council has adequate contract management and procurement procedures in place, and the council has dedicated procurement and contract management teams. There have been no significant issues reported in year with service providers or sub-contractors.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks and we have concluded that appropriate arrangements are in place.



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.

Assessing performance and identifying improvement

July 2023 Ofsted Inspection

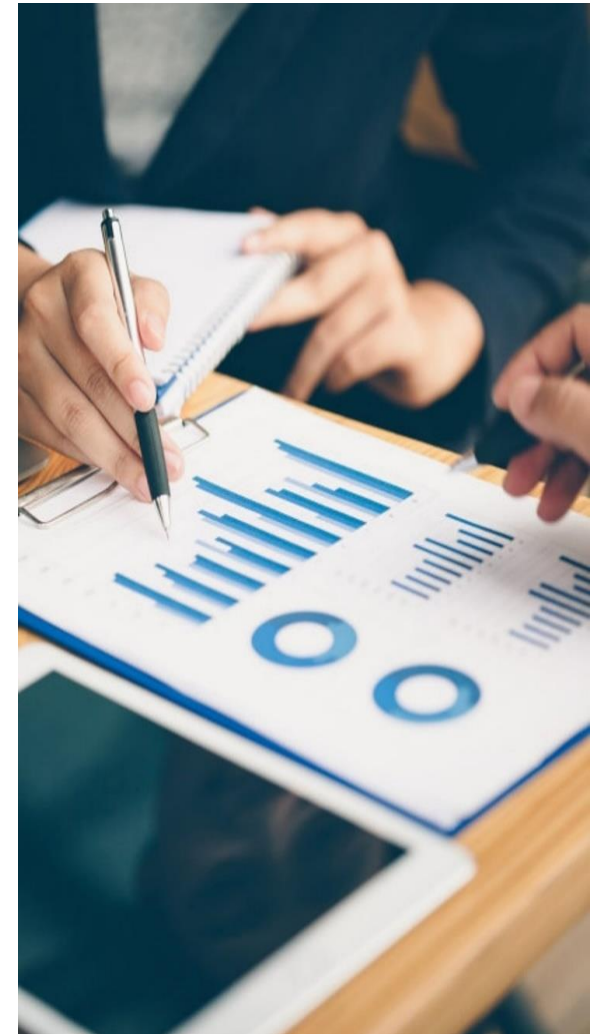
An Ofsted inspection of the Council's children's services (inspection dates: 13 to 24 March 2023) reported: "Since the last inspection in March 2020, when the Council's children's services were judged to require improvement overall, the Council has not made sufficient progress and children and their families do not currently experience a consistently good service."

- The Covid-19 pandemic, restructure of the directorate, increasing need for services and a high rate of staff turnover within both the general workforce and the senior leadership team have all contributed to a pace of improvement that has been too slow for many children.
- Inspectors did not identify any children at risk of immediate harm. In some notable areas the impact on the lives of children and families in North Somerset has not been consistently good.
- Not all areas for improvement have been fully addressed since the last inspection and some positive changes to practice are not embedded. The quality of analysis and assessment of risk for children in need of help and protection and the effectiveness of management oversight and supervision remain areas in need of improvement. The exception is the quality of practice with care experienced young people who receive consistent support and services that meet their needs.
- Overall, inconsistencies in the quality of practice provided to children are too broad. The Council has a service-wide plan in place, aimed at securing the improvements needed with improved performance management and quality assurance systems in place."

The Council is in the process of updating the Council Children's Service Plan to ensure that all of the areas for improvement were fully addressed, and this was submitted to Ofsted in August 2023. The Council should continue the on-going oversight of the agreed Children's Service action plan undertaken by the Children and Young People's Services Policy and Scrutiny Panel. We have made an improvement recommendation regarding this detailed on page 23.

Assessing performance

The Council's performance against the Council Plan delivery schedule is reported on a quarterly basis to Executive. Performance against the Council Plan priorities is managed through progress made against quarterly deliverables and the outcomes of key performance indicators. It also brings together wider information, key facts and intelligence to explain how the Council is working and performing, including timelines and case studies to demonstrate the impact on residents and communities. With regards financial monitoring, we are satisfied sufficient detail is included to understand budget variances.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Some slippage against these Council plan priority measures is to be expected given the on-going impacts of the COVID-19 pandemic throughout the 2022/23 financial year, it is important that performance continues to be monitored closely and there is a renewed focus on delivery of Council priorities.

The format of corporate performance reports will be reviewed as part of the arrangements supporting the new Council Plan.

The Local Government and Social Care Ombudsman (LGCSO) looks at complaints about councils where the complainant considers that the Council has not sufficiently addressed their concerns. The Annual letter from the LGCSO 2023 (July 2023) provided a breakdown of investigations that they have upheld to show the number of cases where the Ombudsman's recommendations have led to the Council resolving the issue. In the 2023 annual letter, the LGCSO included feedback that recommendations were not completed within the timescales agreed. Recommendations were made in six cases during the year. The LGCSO highlighted 55% of complaints investigated were upheld. This compares to an average of 72% in similar Councils. The six upheld decisions are based on a total of 11 investigations for the period between 1 April 2022 to 31 March 2023. The Council has undertaken appropriate actions for complaints made to LGCSO.

Benchmarking

Benchmarking was undertaken as part of our VfM work. We considered unit cost financial benchmarking comparing the Council to its statistical nearest neighbours. This identified Adult Social Care costs as high in comparison to benchmarked councils and within that three areas where the unit costs were very high:

- Learning Disability support – adults (18-64)
- Mental Health support – adults (18-64)
- Physical support – adults (18-64)

This is reflective of the overall challenges facing the provision of demand led services across all providers within the sector. There are a number of factors that the Council face which have contributed to these costs including:

- Costs associated with clients who transition from Children's Services into Adult Services with complex needs and spend in this area has outstripped other costs
- Packages of care have increased as a result of the backlog in elective care especially around those people who require joint replacement
- There is significant growth in inflation and also changes in demand demographics
- Increases in complexity of current clients. This includes issues such as people in care who develop dementia and an increase in cost does not mean more in recovered funds

There is also an element of benchmarking undertaken by the Council through the performance management process. Members are provided with detailed benchmark information through the performance update reports which includes a mixture of local and national targets. These are RAG rated to provide a predicted year end status and a direction of travel. The performance update reports identify areas for further improvement action and management actions in place to achieve this.

Council members are provided with suitable benchmarking information to provide assurance over performance and to allow challenge of any service that is not meeting expectations.

Partnership working

The Council's constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. The Council seeks resident views when developing proposals set out in Consultation and Engagement Strategy. The Council seeks feedback by carrying out an annual resident satisfaction survey.

The Council consulted stakeholders on their draft budget for 2022/23, this included online consultation as part of Council engagement. The Council undertook consultation regarding the Council Plan.

Improving economy, efficiency and effectiveness (continued)

Partnership working (cont.)

Within the Council Corporate Plan there is adequate evidence highlighting the Council's commitment to engage with residents. Part of this commitment is demonstrated through the formation of a North Somerset Citizens' Panel. The panel has recruited from people who live, work or study in North Somerset and has a current sample of over 550 people who want to actively be part of the council's vision and journey going forwards and are willing to participate in surveys, polls and focus groups. The panel offers an opportunity for early engagement with residents on the emerging themes within the MTFP and comments on specific areas within MTFP planning and /or future service delivery. The survey was open for a 2 - week period from 3 January to 12 January 2023 and 244 panel members submitted a response, some 40%, which compared to other stakeholder surveys we have seen is a relatively good level of response.

Commissioning and procurement

The Council has adequate contract management and procurement procedures in place, and the council has dedicated procurement and contract management teams. Our work identified there have been no significant issues reported in year with service providers or sub-contractors.

During 2022/23 appropriate Capital programme oversight was undertaken by the Executive. Officers are currently reviewing how much of the unspent balance will be required in future years and as a result this some budgets will be 'slipped' and included within next years' programme in line with delivery and completion of the schemes.

It is important that this review takes place because the capital programme is financed using a finite number of resources and so cannot simply absorb changes to costs that may be brought about by rising inflation. Project managers should provide assurance that any schemes that have experienced a delay of any kind can still be delivered within the approved budget envelope. The Council has put in place revised project management, risk management and capital governance arrangements over the last 12-18 months to provide greater oversight over such schemes.

Our improvement recommendation detailed on page 15 highlights the importance of effective monitoring of capital programme delivery.

Conclusion

Overall we are satisfied the Council has appropriate arrangements in place in its oversight of economy, efficiency and effectiveness. We have made one improvement recommendation relating to complaints resolution detailed on page 23.



Improvement recommendations

Improvement Recommendation 2

The Council should continue the on-going oversight of the action plan undertaken by the Children and Young People's Services Policy and Scrutiny Panel and subsequently to the Council Executive Committee.

Improvement opportunity identified

The Council need to pay close attention to this delivery of the action plan arising from recommendations in both Ofsted inspections; doing what it has agreed to do, on time, can help to rebuild complainants' trust and confidence after things have gone wrong.

Summary findings

Ofsted inspection of the Councils children's services (Inspection dates: 13 to 24 March 2023) highlighted – "Since the last inspection in March 2020, when the Council's children's services were judged to be requires improvement overall, the Council has not made sufficient progress and children and their families do not currently experience a consistently good service. The COVID-19 pandemic, restructure of the directorate, increasing need for services and a high rate of staff turnover within both the general workforce and the senior leadership team have all contributed to a pace of improvement that has been too slow for many children. Inspectors did not identify any children at risk of immediate harm. In some notable areas the impact on the lives of children and families in North Somerset has not been consistently good. Not all areas for improvement have been fully addressed since the last inspection and some positive changes to practice are not embedded. The quality of analysis and assessment of risk for children in need of help and protection and the effectiveness of management oversight and supervision remain areas in need of improvement. The exception is the quality of practice with care experienced young people who receive consistent support and services that meets their needs. Overall, inconsistencies in the quality of practice provided to children are too broad. The Council has a service-wide plan in place, aimed at securing the improvements needed with improved performance management and quality assurance systems in place." The Council is in the process of updating the Service Plan to ensure that all of the areas for improvement were fully addressed, and this was submitted to Ofsted in August 2023.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

It is the Council's view that the CYPS Policy and Scrutiny Panel is the appropriate forum for review and consideration of the Improvement plan. The most recent update from Ofsted in December 2022 was reviewed and considered at Council and all members are aware of progress. We have further reviewed the latest Ofsted report and consider arrangements to be appropriate. We will continue to monitor effectiveness of our governance arrangements and this is recognised as a key issue in our Annual Governance Statement for 2022-23.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
The S25 statement should include supporting information on how the recommended minimum prudent level of General Fund balance is calculated	Improvement	August 2022	Management consider that there is sufficient information included within the S25 statement to allow members a full understanding on how the minimum prudent level of the General Fund balance has been reached. We have reviewed the report again in 2022-23 and consider that it is appropriate and allows member understanding	Yes	N/A
The Council should adopt a data quality policy	Improvement	August 2022	The Council has recently drafted a Data and Insight Strategy which has been adapted by ICTAB in the first instance and includes an action to develop and implement council-wide data quality standards.	Yes	N/A
The Council should consider including a sensitivity analysis to demonstrate the range of impacts that future funding reforms could have, even if they are not formally modelled in the MTFP. Sensitivity analysis should also be considered for other key financial planning assumptions. We also recommend that the MTFP covers the current year plus five, in accordance with CIPFA best practice	Improvement	August 2022	We have reviewed management's budget setting process and have noted that there is still a short fall in the provision of sensitivity analysis and scenario planning for 2022-23. We have continued our ongoing review of arrangements and have noted that scenario planning is included in the 2023-24 budget process and will review the robustness of the analysis in our review of arrangements in 2023-24	Yes	We will review the robustness of this analysis as part of the 2023-24 review of arrangements.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>Treasury Strategy and Treasury Outturn reports should include detailed breakdowns of the budgets relating to interest costs, investment income and MRP, including performance against the budget at the year end.</p> <p>The Council should ensure it has sufficient risk mitigation strategies in place for commercial property and ensure compliance with the requirements of the revised Prudential Code</p>	Improvement	August 2022	The Council have reviewed the annual investment report and consider that there is sufficient data within the report to allow the reader to understand the overall performance. Recognised in the 2020-21 AAR that the Council has financial risk mitigation measures in place for the existing commercial investments. The annual investment report also contains a range of financial information although, as management commented this could be enhanced.	Yes	N/A
The Corporate Risk Register should be reported to the Audit Committee on a more regular basis and risks should be mapped explicitly to corporate objectives.	Improvement	August 2022	The updated performance process has addressed the recommendation identified in 2020-21. Management consider that further information could be provided to members to give them full understanding of how risks have been arrived at	Yes	N/A
The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the Council's corporate objectives.	Improvement	August 2022	The Council has recognised that a partnership register would provide a single source of information and have added the recommendation into the work plan for the Partnership team.	WIP	N/A – action in place to implement already in place.
Where there is a significant difference between the in year estimated capital spend at a scheme level as part of the approved budget and the to date monitoring, we recommend a brief comment is included within the monitoring schedule to explain the reason for this.	Improvement	August 2022	We have reviewed the Capital reporting and consider that further information is required to allow the reader to understand what are the causes of any significant differences.	Partially	N/A – action to implement already in place

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>The Council should ensure it has effective governance arrangements in place in relation to North Somerset Environmental Services Limited (NSEC) to:</p> <ul style="list-style-type: none"> actively and routinely monitor the service and financial performance, so that NSEC is held to account and under performance is addressed minimise the scope for conflicts of interest regarding the roles held by Council Officers on the NSEC Board. 	Improvement	August 2022	<p>The Council have reviewed and updated the governance arrangements for NSEC which has included the removal of any Council officer from the Board.</p> <p>It is the opinion of audit that there is still insufficient detailed performance information to allow members to understand any areas that require addressing and that contract terms are being met</p> <p>It was due to go to Council in May 2023 but deferred to July 2023 https://n-somerset.moderngov.co.uk/ieListDocuments.aspx?CId=169&Mid=1059&Ver=4 in order to give new members time to gain a sufficient understanding on the waste governance</p>	Yes	N/A
<p>The Council's Executive should review performance against the corporate plan in public meetings and performance should be reviewed quarterly by the scrutiny committees in line with the Council's corporate performance framework.</p>	Improvement	August 2022	<p>Management considered that the arrangement in place were sufficient to address the requirements of performance management. The responsibility lies with scrutiny panels and quarterly performance updates are now published as part of the Executive Agendas https://n-somerset.moderngov.co.uk/documents/s4268/18%20Q2%20Performance%20Update.pdf</p>	Yes	N/A
<p>The Council should review and evaluate progress against its Children's Services Improvement Plan in a public committee meeting.</p>	Improvement	August 2022	<p>It is the Council's view that the CYPS Policy and Scrutiny Panel is the appropriate forum for review and consideration of the Improvement plan. The most recent update from Ofsted in December 2022 was reviewed and considered at Council and all members are aware of progress. We have further reviewed the latest Ofsted report and consider arrangements to be appropriate</p>	Yes	N/A

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
Management should review risk information presented to members and ensure sufficient information is provided.	Improvement	April 2023	<p>The Council have updated our risk management strategy during 2022-23 and this was approved by the audit committee on 24 November 2022 https://n-somerset.moderngov.co.uk/documents/s4094/06%20Risk%20Management%20Strategy.pdf</p> <p>The strategy will be fully operational from 01 April 2023 and include nominated lead for each and five categories of risk. The Council consider that new strategy will cover this recommendation and do not intend to publish individual risk scores.</p>	Yes	N/A
The Capital outturn programme showed that 48% of the programme had been spent in 2021-22 leading to a large slippage in the overall programme. Management should ensure that review of the overall budget is significantly robust and where there is a significant difference between the in year estimated capital spend, at a scheme level, as part of the approved budget, and the to date monitoring, we recommend a brief comment is included within the monitoring schedule to explain the reason for this and to ensure that large slippages are not incurred in future years.	Improvement	April 2023	<p>The Council have taken steps to improve the governance arrangements and clarity of financial monitoring to members throughout 2022-23 and this process is now embedding and has been recognised by both the chairs of the audit committee and PCOM scrutiny. Significant variances in the capital budget are now reported in the Executive budget monitoring reports, including narrative.</p> <p>We recognise that the council is experiencing significant slippage in its capital programme, in common with many other local authorities, and steps are being taken to improve the allocation of budgets to align with deliverability.</p>	WIP	IR re- made on page 15 of this report

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>Scrutiny performance management is the responsibility of scrutiny panels to ensure that corporate strategies are being fully implemented. Management should consider whether the current level of scrutiny is sufficient to meet these requirements</p>	Improvement	April 2023	<p>The council has a finite amount of resources and must make decisions on how these are allocated to ensure that it can discharge all of its various statutory duties and has determined that sufficient resources have been allocated to ensure that an effective scrutiny function is in place, although recognises that this does not always provide for formal meetings to be held on a regimented quarterly basis. It should be noted that scrutiny activity is often considered within informal working groups and subject matter briefings and the council is assured that an overall level there is sufficient oversight of performance matters. Efforts will be made to review the timescales of meetings and ensure that the most relevant and up to date information is considered.</p> <p>This was deferred from May council as there had not been sufficient time to brief new members on waste governance in order to make the paper meaningful for Council. It is on the agenda for 11 July 23 and an all member briefing on 21st June.</p>	Yes	N/A
<p>Management should ensure that all capital projects are appropriately scoped and that full consideration is given to potential impacts on both the delivery timeframe and the overall costs of the project</p>	Improvement	April 2023	<p>The introduction of the Capital Programme Planning and Delivery Board (CPPD) from 2021/22 has brought about a series of improvements in terms of governance, oversight and monitoring associated with capital projects. This includes measures to review and track issues individual schemes as well oversight of the entire programme. Given the timescales associated with the creation of this Board it is not possible to retrospectively review the scope and funding for each project although has put in place measures to ensure that new projects are reviewed in detail prior to their approval. It has established a reporting framework to ensure that all projects are reviewed consistently throughout the year and also that issues are escalated and highlighted to the Board more frequently so that interventions and solutions can be discussed. The Board continues to update its underlying processes to ensure that it considers all types of risks and issues, this includes the recent change for project managers to understand and report on 'project creep' so that the Board can determine movements from the original scope. Whilst this area is still being fully embedded, significant change has already been delivered and improvements will continue to be made.</p>	Yes	<p>Further improvement recommendations relating to robust capital spend monitoring included in current AAR.</p>

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

We issued an unqualified opinion on the Council's financial statements on 2 October 2023.

The full opinion is included in the Council's Annual 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



Timescale for the audit of the financial statements

- The Audit Plan was presented to the Chair of the Audit Committee on 15 August 2023. The Audit plan was not presented to Audit Committee due to the elections and timing of meetings. Approval taken from meeting with Committee Chair and circulated to members
- The review of the accounts was undertaken between June and October 2023. This work was completed remotely
- The Council provided draft financial statements in line with the national timetable
- No significant issues were identified within the audit and good quality working papers were provided by management to support the audit process
- The opinion on the financial statements was issued on 2 October 2023, just missing the 30 September 2023 national timetable.

Whole of Government Accounts

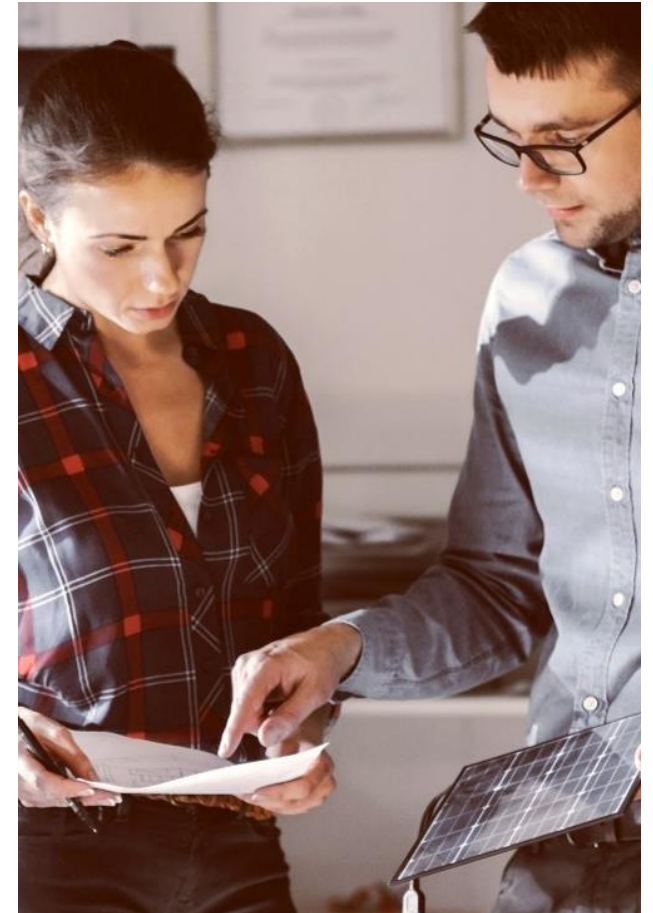
To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work did not identify any issues.

Findings from the audit of the financial statements

- Management override of controls was reviewed through an analysis of the journal listing to select a sample based on the audit criteria for selecting high risk unusual journals. Review identified that both the value and volume of journals was significantly high which introduces inherent risk of both fraud and error. Our testing did not identify any issues within the journal sample
- Testing of assets with a nil NBV identified £24.7m of accumulated depreciation. We recommended that management review these assets to assess whether they remain operation or not.
- The IT audit undertaken in 2019-20 identified one significant control deficiency in relation to segregation of duties. Management have not yet addressed this issue, although believe that compensatory controls exist, and this directly impacted our journal methodology

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit Committee on 21 September 2023 with a final version issued on 2 October 2023. Requests for this Audit Findings Report should be directed to the Council.



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.

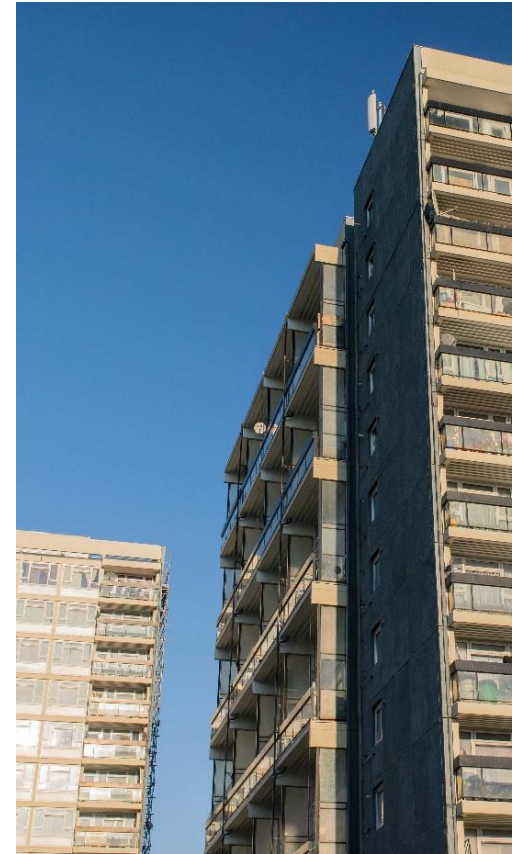
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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	15 & 23



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