

Worcestershire County Council

Auditor's Annual Report for the
year ended 31 March 2024

18 December 2024



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

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

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



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

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Worcestershire County Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

Responsibilities of the appointed auditor

Opinion on the financial statements

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

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

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

Value for money

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

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

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

Auditor powers

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

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the National Audit Office's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our findings are set out below:



Financial sustainability

The Council has an embedded organisational approach to financial planning and setting the annual budget; but recognises the significant challenges it faces in achieving financial sustainability going forward. To ensure the Council is fit for purpose to address the ongoing demands and constraints placed upon it, the 'Our Future Council' transformation and reorganisation programme has been developed and is currently in the process of being implemented. The programme aims to redesign the Council with a focus on a structure that is smaller, leaner and affordable as well as considering the offer of services provided to residents.

The Council overspent in 2023/24 and at present there is a council wide underlying deficit. The continued use of reserves to address the gap is not sustainable. Large scale transformational projects take time to embed and deliver and it is recognised that longer term benefits and efficiencies of 'Our Future Council' will only be fully realised into the medium term. We have therefore concluded that during 2023/24 significant weaknesses in arrangements to ensure financial sustainability remain and the key recommendation raised in 2022/23 remains in place.

Indicators of financial stress supporting this judgement include the following (but not limited to):

- An adverse 2023/24 Outturn position.
- A forecast adverse outturn position in 2024/25.
- Increasing levels of demand leading to future costs pressures and funding gaps in the Medium Term Financial Plan (MTFP).
- Undelivered planned savings in 2023/24 increasing the cost pressure in 2024/25.
- Forecast risk of non-delivery of savings in 2024/25; as at the end of May 2024 this was forecast to be 32%.
- Reducing levels of reserves and forecast reserves levels.
- There is a Capital Programme affordability risk due to increasing costs and additional pressures of programme slippage.
- Relatively high levels of debt.
- Unexpected loss of tenancy income across County Hall due to the current structural issues along with the rectification and consultancy costs associated with surveys and structural works required.

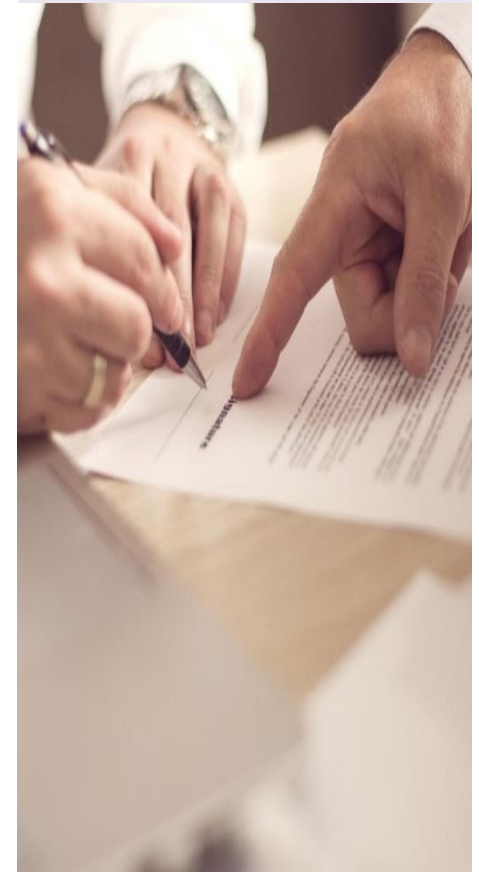
In our 2022/23 Auditor's Annual Report we also raised a significant weakness in arrangements due to the uncertainty around the Dedicated Schools Grant (DSG) deficit balance. The DSG reserve deficit balance of £20.3 million at start of the 2023/24 year increased to £43.6 million deficit at year end. High Needs Block (HNB) expenditure overspent by £27 million in 2023/24; a significant increase from the £11.1 million High Needs overspend in 2022/23. The DSG deficit position is projected to be £86.5 million by 31 March 2025. The Council continues to work with the Department for Education's Delivering Best Value (DBV) programme but recognises that if the statutory override is not extended or financial support forthcoming, this presents a significant risk to the Council's general fund, unearmarked and earmarked reserves balances. We have concluded that the key recommendation remains in place.

Key recommendations 1 and 2 are shown on page 17 of this report.



2023/24

Our work on the Council's 2023/24 financial statements is complete. We issued our unqualified audit opinion on 18 December 2024.



Executive summary continued



Governance

In our 2022/23 Auditor's Annual Report, a significant weakness in arrangements was reported in the Internal Audit provision as it did not fully comply with the Public Sector Internal Audit Standards (PSIAS). There were a number of extenuating circumstances particularly regarding significant capacity issues, which have impacted all areas of the Internal Audit Service; with insufficient resource to deliver the Internal Audit Plan.

The Service has been in a transitional period during 2023/24 and we recognise that significant progress is being made in a number of areas. The service anticipates the impact and outcome of these improvements will fully materialise from 2024/25 onwards. However, we have concluded that significant weaknesses were still present within the arrangements during 2023/24 and therefore the key recommendation remains in place. The 2023/24 Internal Audit plan was deemed non-compliant with the PSIAS, lacking key financial controls assurance reviews and a review of Risk Management, both mandatory for providing the Head of Internal Audit year-end opinion. Slippage of planned work was also observed,

In our 2022/23 Auditor's Annual Report we also raised a significant weakness in respect of the arrangements in place to manage risk. In our 2023/24 review, we evidenced that the Risk Management Framework has continued to develop and embed. A new system for reporting risks in Power BI was implemented and regular reporting to the Audit and Governance Committee was provided. The Risk Management Strategy has been reviewed and updated, and the Council plans to further enhance its risk register to reflect organisational redesign. Overall, whilst we recognise new procedures can take time to embed, the Council has implemented a framework for managing risk supported by appropriate policy and procedures, oversight and reporting processes. We have therefore removed the significant weakness and subsequent key recommendation raised in 2022/23.

We have raised one key recommendation and six improvements recommendations.



Improving economy, efficiency and effectiveness

The Council has arrangements in place to monitor and report upon its Strategic and Departmental performance, enabling it to evaluate the services it provides and assess performance to identify areas for improvement.

In July 2023, a full OFSTED inspection of Local Authority Childrens Services (LACS) was undertaken with an outcome of Good for overall effectiveness of the services. Ofsted inspectors noted that there had been continued progress since the last inspection in 2019 and found that “the senior leadership team in Worcestershire Childrens First (WCF) has continued to work effectively with political leaders to improve outcomes for children” and that “there is a coordinated drive to continue to improve children’s experiences and relationships with key partners are effective.”

The report recognised that children’s outcomes have improved as a result of family focussed, child centred early help and proportionate statutory intervention when in the best interests of children.

The current contract with WCF will cease on 30 September 2024 after its initial 5-year term and approval has been granted to cease this, and transfer services back into Worcestershire County Council (WCC). This will also allow for some release of revenue savings for WCC, relating to the costs for WCF Director of Resources, WCF Non-Executive Director costs, and WCF Audit and Tax Computation fees. The recurrent savings for these items are estimated at £0.2 million.

We have not identified any significant weaknesses from our work undertaken but have raised an improvement recommendation to further enhance the arrangements in place for monitoring and reporting performance and partnership working arrangements.

We have not raised any key recommendations in this area. Two improvement recommendations have been reported.

Executive summary (continued)



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

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

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

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	R Significant weakness in arrangements identified and two key recommendation made relating to Financial Sustainability and Dedicated Schools Grant Deficit. One improvement recommendation made.	Risk of Significant weakness identified	R We have concluded that during 2023/24 there are still a number of signs of financial stress. Significant weaknesses in arrangements identified and two key recommendation made relating to Financial Sustainability and Dedicated Schools Grant Deficit.	↔
Governance	R Significant weaknesses in arrangements identified in relation to the Council's Risk Management and Internal Audit arrangements. Two key and two improvement recommendations have been made.	Risk of Significant weakness identified	R Improvements were noted for the arrangements in delivering Internal Audit – however these will materialise from 2024/25. A Significant weakness in arrangements was present in 2023/24 and one key recommendation has been made. Arrangements in relation to the Council's Risk Management Framework showed improvement throughout 2023/24 and therefore the key recommendation has been removed. Six improvement recommendations have been made.	↔
Improving economy, efficiency and effectiveness	G No significant weaknesses in arrangements identified, and no improvement recommendations made.	No risk of Significant weakness identified	A We have not identified any significant weaknesses from our work undertaken but have raised two improvement recommendations to further enhance the arrangements in place for monitoring and reporting performance and managing partnerships.	↔

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

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



Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, 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

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

Our work on the Council's 2023/24 financial statements is complete. We issued our unqualified audit opinion on 18 December 2024.



Opinion on the pension fund statements



Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2024 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 2023/24
- 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 Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Our work on the Worcestershire Pension Fund's 2023/24 financial statements is complete. We issued our unqualified audit opinion on 18 December 2024.



Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p>Statutory recommendations</p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public Interest Report</p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

Value for Money Commentary on arrangements



The current LG landscape



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Nine councils issuing eleven section 114 notices, effectively signalling bankruptcy, between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018;
- An increasing number of other councils publicly warning of a section 114 risk;
- Nineteen councils being set to receive exceptional financial support for 2024/25, needing around £1.5 billion. Only six of the nineteen councils had previously issued a section 114 notice. There was no prior public anticipation of exceptional need for the other thirteen councils; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over the course of 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funds. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. It seems likely that councils will be asked to develop and share productivity plans, showing how they will improve service performance and reduce wasteful spend. The approach to producing the plans is not yet agreed but the need for a new focus on performance in general is clear. The Institute for Government estimates that performance was worse on the eve of the pandemic than it had been ten years before for adult social care and children's social care and neighbourhood services. It estimates that performance has at best stayed the same but more often deteriorated even further since the pandemic.

Financial crisis and workforce crisis together place pressure on governance for the local government sector. Recent years have seen a rise in the instance of auditors issuing statutory recommendations around the need for improved governance, whilst at the same time an audit backlog has been growing since 2019. The government is now taking steps to end the backlog, consulting, for example, on backstop measures. Whilst prompter audit won't solve the financial crisis faced by the sector or enhance performance, it may help with delivering earlier warnings, allowing for swifter action and perhaps stronger mitigation. Although recruitment and retention is problematic in the current environment, there are new staff in post at many councils now, often valiantly working to resolve issues that had their origin in decisions taken years ago. With a renewed focus on training, technology and good governance, the outlook for the sector may still be positive despite the many challenges it faces.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

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

In our 2022/23 Auditor’s Annual Report, we documented that the Council has an embedded organisational approach to financial planning and setting the annual budget, but there were indicators of financial stress and a threat to sustainability in the short and medium term. The use of earmarked reserves and the forecast future reserves balance raised particular concerns. We also reported that the DSG deficit balance threatens the Council’s financial sustainability. Two key recommendations were made.

In 2023/24, the Council had a net overspend of £4.6 million, which represented 1.1% of the £400.8 million budget, but this position was after additional £9 million of planned use of reserves. Reserve balances have decreased from £144.1 million to £105.7 million as at 31 March 2024. The 2024/25 budget requires further use of £7.9 million of reserves to reach a balanced position. The forecast closing balance of reserves at 31 March 2026 is £37.9 million. However, this assumes that the Council does not use any reserves to fund any overspends occurring in 2024/25 or 2025/26.

The position of the DSG reserve at 2023/24 year-end is a £43.6 million deficit. High Needs Block (HNB) expenditure overspent by £27 million in 2023/24; a significant increase from the £11.1 million HNB overspend in 2022/23.

The Council has initiated a transformation and reorganisation programme to support a sustainable budget, but signs of financial stress persisted in 2023/24 and the Council were still reliant on using reserves to balance the deficit position.

We have retained our prior year key recommendations as a result shown on page 16 of this report.

R

plans to bridge its funding gaps and identifies achievable savings

In 2023/24, the savings target was £22.4 million, with £5 million remaining unachieved by the end of the year, and 78% of the target being achieved. This is a decrease compared to 94% achieved in 2022/23, albeit on a smaller target of £8.14 million.

A balanced 2024/25 budget necessitates a challenging plan of £37.167 million in efficiencies. As at the end of May 2024, £11.788 million of savings were reported at risk of non-delivery, equivalent to 32% of the total savings requirement. The MTFP 2025-2028 documents funding gaps of £25.7 million in 2025/26, £13.3 million in 2026/27 and a further £21.9 million in 2027/28; demonstrating the ongoing challenge faced by the Council.

This position is a further indicator of financial stress and has been incorporated within key recommendation 1 on page 16 of this report.

R

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

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. The Council’s Corporate Plan - Shaping Worcestershire’s Future (2022-2027) outlines the Council’s four Key Objectives, which remain a priority in the Council’s financial planning processes and MTFP.

The Capital programme is also clearly aligned to the priorities set out in the Corporate Plan with a clear overview of investment and funding within each area.

The Council understands the cost of delivering services and these are reflected in its financial planning over the short and medium term and articulate significant cost demand and pressures within its demand led services. The MTFP also articulates where additional investment is being made to drive longer term efficiencies in these areas.

The ‘Our Future Council’ transformation and reorganisation programme will consider the offer of services provided to residents and the 2024/25 savings plan includes a number of service delivery reviews.

G

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

The Council aligns its financial plan assumptions with other key strategies to support delivery of the objectives set out in the Corporate Plan; with approved and prioritised projects and schemes within the capital program. Efficiency improvements in 2024/25 will also involve reviewing its workforce, which is evident in the ‘Our Future Council’ transformation program, with phase 1 focusing on senior management review.

In our 2022/23 Auditor’s Annual Report we commented upon capital programme slippage and included an improvement recommendation to ensure there is a robust financial governance framework around the delivery of the Council’s capital programme. The Council has implemented a number of initiatives to improve governance in this area. We therefore have not made further recommendations as new processes take time to embed. However, we acknowledge that capital programme delivery remained an issue for the Council during 2023/24 with slippage of £30.8 million into 2024/25, this is equivalent to 24% of the 2023/24 programme. We will review progress and the impact of the new arrangements in 2024/25.

Further detail is included on page 19 of this report.

A

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

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

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

Overview and Scrutiny Panels carry out regular budget and performance monitoring throughout the year and have the opportunity to review how resources are allocated, monitor how they are used, examine their impact and if needed carry out additional scrutiny as required.

The draft Council budget is presented to Cabinet in January, following which the proposals are available for Overview and Scrutiny Panels to consider. Comments on the budget proposals are then provided to Cabinet in February before being considered by Council at its February meeting.

In year budget monitoring, including the forecast year end position, progress against savings plans, emerging pressures and risks and subsequent mitigating action is provided for Cabinet oversight on a quarterly basis.

As part of the budget setting process the Section 151 Officer provides a statement in respect of the risks assessed as part of the assumptions made and when developing its 2024/25 budget we noted the key assumptions around income, pressures and demand which were reflective of the local and national landscape.

The value of the General Fund balance has been reviewed and increased to £16.1 million at the end of the 2023/24 financial year (previously £14.3 million). This increases the figure to 4% of the Council's net revenue budget for 2023/24. Although there is no defined minimum balance, the recommended benchmark is around 5% and therefore the Council is currently below this figure. We acknowledge that it is the responsibility of the Section 151 Officer to advise the Council of the level based on its assessment of risk and this was reported in February 2024 as part of the Council 2024/25 Budget and Medium Term Financial Plan Update; therefore we have not made further improvement recommendations in this area.

A

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

Financial sustainability (continued)



Significant weaknesses identified

Financial Resilience

In our 2022/23 Auditor's Annual Report we documented that the Council has an embedded organisational approach to financial planning and setting the annual budget. However, we identified significant weaknesses in the Council's arrangements because there were a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term. The significant use of earmarked reserves and forecast future reserves balance presented major concern. We raised two key recommendations, to ensure:

- There is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. Progress in delivering savings and transformation plans should be tracked by Cabinet, the Audit Committee, and Scrutiny Committees.
- There is a robust plan in place outlining how the DSG deficit will be brought back into balance. Regular reporting and oversight of progress should be provided through the Children and Families Overview and Scrutiny Panel.

The Council's outturn position for 2023/24 was a net overspend of £4.6 million on a £400.8 million budget (1.1% of net revenue expenditure). This position is after additional £9 million of planned use of reserves and a net surplus of £4.8 million relating to Council Tax and Business Rates income. The previous position reported to Council in February 2024, based on the Quarter 3 projections, anticipated a net £19.2 million overspend (£32.3 million gross) which equates to a £14.6 million improvement in the net overspend position by the year end. We note the improvement in the position since the Quarter 3 forecast was fully documented within the Council's reporting.

The savings target for 2023/24 was £22.4 million, including the reduction required due to £2.9 million non-recurrent savings brought forward from 2022/23. Out of the total of £22.4 million, £5 million remained unachieved at the end of the financial year. Overall this means that 78% of savings were achieved, compared to 2022/23 when 94% of savings were achieved although on a more modest target of £8.14m

The balanced 2024/25 budget requires delivery of £37.167 million efficiencies. Reporting to Overview and Scrutiny Performance Board and Audit and Governance Committee in July 2024, documents that at the end of May 2024, the savings plan delivery tracker is showing £11.788 million savings at risk of non-delivery. This is equivalent to 32% of the total savings requirement.

The Council has progressed a number of changes to secure a sustainable budget including developing the 'Our Future Council' transformation and reorganisation programme'. This aims to redesign the Council with a focus on a structure that is smaller, leaner and affordable as well as considering the offer of services provided to residents. However large scale transformational change takes time to embed to deliver outcomes; therefore we have concluded that during 2023/24 there are still a number of signs of financial stress and therefore the key recommendations remain in place.

Further details can be found on the following pages of this report.

Key Recommendation 1

The Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit.

The Council needs to ensure that officers are supported in making the changes needed.

Progress in delivering savings and transformation plans should be tracked regularly by Cabinet, the Audit Committee, and Scrutiny Committees.

Key Recommendation 2

The Council needs to ensure that there is a robust plan in place outlining how the DSG deficit will be brought back into balance.

Financial sustainability (continued)



Significant weaknesses identified, continued

2023/24 Outturn

Continued pressures on all demand led service areas of Adult Social Care, Children's Social Care and Home to School Transport has provided significant challenge during 2023/24, leading to a number of adverse variances to the 2023/24 budget outturn position. These were partially mitigated by underspends in other service areas and in central budgets. This is demonstrated in Table 1 opposite which shows a gross year-end overspend of £18.5 million, excluding DSG.

There are several underlying pressures to Council services which will continue to require funding in 2024/25 as they are deemed by the Council to be recurrent. This pressure is termed a structural deficit, which is where demand and price increases which are occurring in 2023/24 will continue to be required to be funded in future years. Table 2 below demonstrates the funding requirement of those services, totalling £35 million additional pressure in 2024/25:

Table 2:

Service Area	£m
Childrens Services	19.1
Home to School Transport	9.5
Adults	5.9
Communities	0.5
Total	35.0

The structural deficit has been built into the Council's 2024/25 budget which presents a significant challenge to the Council requiring delivery of £37.167 million efficiencies and £7.9 million use of reserves to reach a balanced position.

In addition, the MTFP 2025-2028 documents funding gaps of £25.7 million in 2025/26, £13.3 million in 2026/27 and a further £21.9 million in 2027/28; demonstrating the ongoing challenge faced by the Council.

Table 1:

Service Area	Variance	
	£000	% Budget
WCF – Council Contract	0,615	0.68
WCF – Company Position	14,908	N/A
Economy & Infrastructure	(4,211)	-5.85
Home To School Transport	8,412	41.5
Commercial and Change	1,270	12.3
Chief Executive / HR / Finance	(0,376)	-11.67
People - Adult Services	5,269	3.61
People - Communities	0,009	0.04
Public Health	0	0
Total Services including WCF Company Position (Excl DSG)	25,896	7.11
Corporate Items	(7,448)	-20.3
Gross Overspend / (Underspend) (Excl DSG)	18,448	4.6
Net Overspend / (Underspend) after Additional Funding and Reserves	4,615	1.15

Financial sustainability (continued)



Significant weaknesses identified, continued

Use of Reserves

In our 2022/23 Auditor's Annual Report we noted that the significant use of earmarked reserves and forecast future reserves balance as a major concern. Reserve balances decreased from £157.7 million as at 31 March 2022 to £144.1 million as at 31 March 2023. Earmarked Reserves have decreased further during 2023/24 reflecting their budgeted use and the requirement for their utilisation to fund the in-year net overspend. As a consequence, reserve balances have decreased from £144.1 million to £105.7 million as at 31 March 2024. The 2024/25 budget requires planned use of £7.9 million reserves to reach a balanced budget position. However, this assumes that the Council does not use any reserves to fund any overspends occurring in 2024/25. Should this be required, it would significantly impact on the Council's financial resilience and sustainability. The forecast closing balance of reserves at 31 March 2026 is £37.9 million. The significant use of earmarked reserves and forecast future reserves balance continues to be a major concern. Use of reserves to balance budget gaps and in year overspend is not sustainable in the longer term.

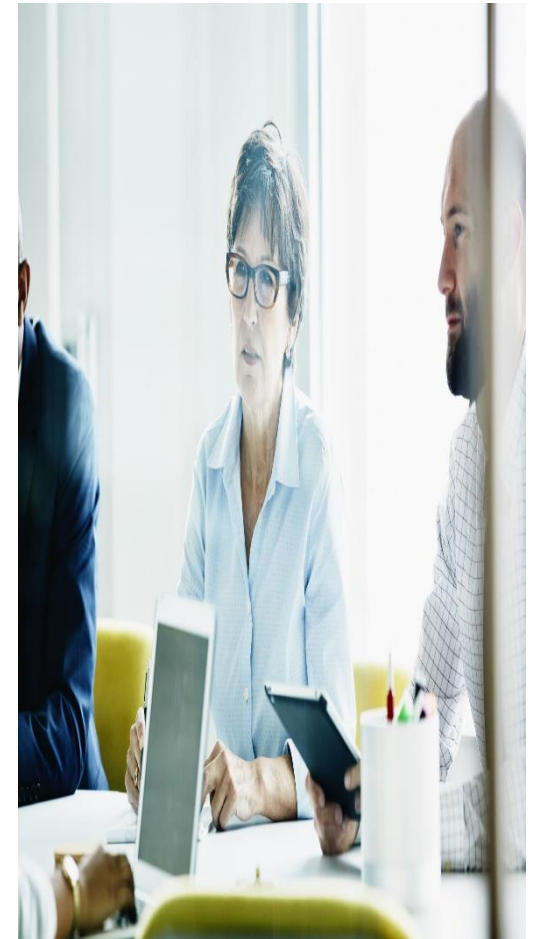
From review of the Resources report to Cabinet in June 2024, we noted that the value of the General Fund balance has been reviewed and increased to £16.1 million at the end of the 2023/24 financial year (previously £14.3 million). The additional contribution into the reserve has been undertaken due to the additional risk facing the Council and was funded from a benefit following a review of the MRP relating to PFI assets. This increases the figure to 4% of the Council's net revenue budget for 2023/24. Although there is no defined minimum balance, the recommended benchmark is around 5% and therefore the Council is currently below this figure. It is the responsibility of the Section 151 Officer to advise the Council of the level based on an assessment of risk and this was reported in February 2024 as part of the Council 2024/25 Budget and Medium Term Financial Plan Update.

The non-schools DSG reserve is a deficit balance of £20.3 million at start of the 2023/24 year; the position at year-end is £43.6 million deficit and will be carried forward. High Needs Block (HNB) expenditure overspent by £27 million in 2023/24; a significant increase from the £11.1 million High Needs overspend in 2022/23. This deficit is recorded as a negative unusable reserve on the balance sheet currently permitted via a statutory override which is in place to the end of March 2026.

HNB has been a significant challenge again this year for the Council with continued increases in the number of children who have Education Health and Care Plans (EHCPs) in place. HNB expenditure has risen by 82% in the past 3 years and the number of children with an EHCP has increased by 36% over the same period. At the end of 2023/24 there were 6,087 Children and Young People with an EHCP, compared to x at the end of 2022/23.

The DSG deficit position is now projected to be £86.5 million by 31 March 2025. In 2022/23 it was forecast to be £43.9 million by 2024/25. The Council continues to work with the Department for Education's Delivering Best Value (DBV) programme but recognises that if the statutory override is not extended or financial support forthcoming, this presents a significant risk to the Council's general fund, unearmarked and earmarked reserves balances.

Continuing and urgent action is needed to reduce the financial deficit or to secure financial funding from the Government.



Financial sustainability (continued)



Areas for improvement

Capital Programme

In our 202/23 Auditor's Annual Report we noted capital programme slippage of £77.3 million in 2022/23 which increased the 2023/24 programme from £119.7 to £197 million. We reported a risk of non-delivery, increased costs and further slippage into future years.

From review of the Resources report to Cabinet in June 2024, progress has been made on a number of significant capital projects with £97.7 million spent in 2023/24 with a number of major schemes being progressed or finalised during the year. However, overall, the capital programme saw slippage of £30.8 million against a re-profiled programme of £128.5 million. Slippage was recorded to be largely due to the impacts of sourcing materials, environmental factors, delays in planning approval timescales and availability of contractors.

The capital programme outturn for 2023/24, carry forward into 2024/25 and indicative additional budgets for future years means there remains £190.8 million currently approved within the Capital Programme for 2024/25, £55.6 million for 2025/26 and £91.2 million for 2026/27 onwards.

The Resources report notes that further reprofiling will continue through the year and updates to the capital programme will be reported to subsequent Cabinet meetings.

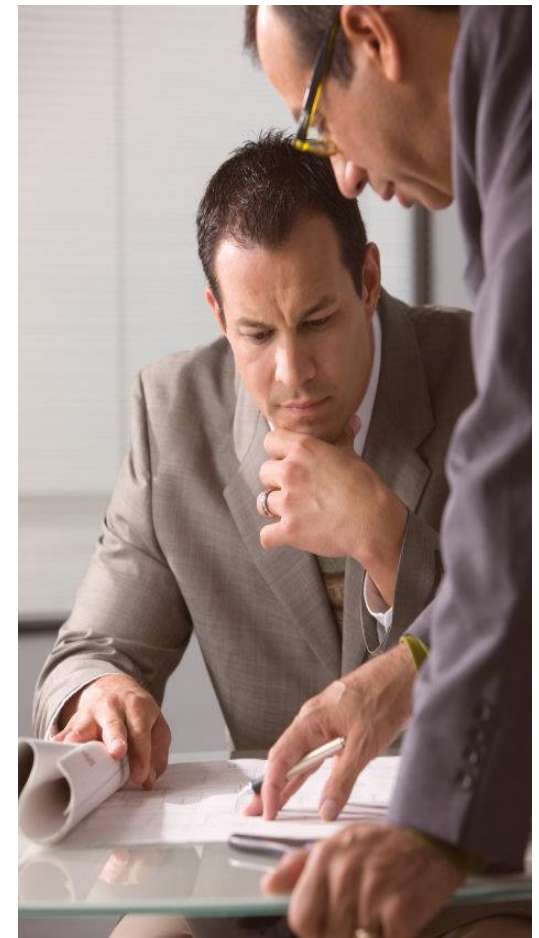
Slippage in delivering of capital programmes is not uncommon and the Council is not an outlier in this area, particularly post Covid where sourcing materials and availability of contractors has been a particular challenges, however slippage and reprofiling may result in additional costs in future years which may further impact the financial sustainability of the Council over the medium term.

In our 2022/23 Auditor's Annual Report we raised an improvement recommendation to ensure there is a robust financial governance framework around the delivery of the Council's Capital Programme is in place. In response, the Council acknowledged that this was an area that needed to improve and informed us that steps have been put in place during the 2023/24 financial year. This includes a Capital Board chaired by the Chief Executive which approves all capital spend prior to Cabinet and Full Council approval. Every new scheme and changes to existing schemes are challenged by the Capital Board, following receipt of business cases prior to being submitted to Cabinet.

Treasury Management training and linkages with the capital programme has been provided to all senior officers and elected members and a training programme dedicated to capital monitoring and forecasting for all managers who hold a capital budget will be required to be undertaken. This training will be delivered by the Deputy Section 151 Officer which will supplement the finance awareness training currently in place.

All project managers have been written to remind them of their corporate responsibilities in delivering capital projects.

We have not made further recommendations in this area recognising that new processes take time to embed. However, we acknowledge that capital programme delivery remained an issue for the Council during 2023/24 with slippage into 2024/25. We will review progress and the impact of the new arrangements is 2024/25.



Governance



We considered how the Audited Body:

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Commentary on arrangements

The Council's Internal Audit and Counter Fraud Services are provided by Worcestershire County Council's in-house team. In our 2022/23 Auditor's Annual Report, a significant weakness was noted in the Internal Audit provision, as it did not fully comply with the Public Sector Internal Audit Standards (PSIAS), potentially impacting the Chief Audit Executive's ability to provide an annual internal audit opinion. The 2023/24 Internal Audit plan was also deemed non-compliant with the PSIAS, lacking key financial controls assurance reviews and a review of Risk Management, both mandatory for providing the Head of Internal Audit year-end opinion. Significant slippage of planned work was observed, and while progress has been noted in some areas, the impact of these improvements is expected to materialize from 2024/25 onwards. WE have concluded that significant weaknesses persisted in the arrangements during the 2023/24 financial year, thus maintaining the key recommendation shown on page 22 of this report.

We have also raised an improvement recommendation to further enhance the Counter Fraud arrangements in place.

In our 2022/23 Auditor's Annual Report, a significant weakness was raised regarding the Council's risk management arrangements. Insufficient progress was noted in implementing previous improvement recommendations and a lack of risk management reporting to the Audit and Governance Committee. In our 2023/24 review, evidence shows that the Risk Management Framework has continued to develop and embed. A new system for reporting risks in Power BI was implemented, and regular reporting to the Audit and Governance Committee is provided. The Risk Management Strategy has been reviewed and updated, and the Council plans to further enhance its risk register to reflect organisational redesign.

Overall, while we recognise new procedures can take time to embed, the Council has implemented a framework for managing risk supported by appropriate oversight and reporting processes. We have therefore removed the significant weakness and subsequent key recommendation raised in 2023/24. We have raised one Improvement recommendation to further enhance the arrangements in place.

In response to the Grant Thornton Cyber Security Questionnaire, the Council reported that there had been an IT security breach; however this had not been reported to the Audit Team at the time of occurrence. We have not raised an improvement recommendation as a report had been made to the Information Commissioners Office; however remind the Council that any such breaches should be reported to the Council's Auditors at the time of occurrence

Assessment

R

- 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.

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

<p>approaches and carries out its annual budget setting process</p>	<p>The Council has annual budget setting processes in place which analyses its financial position, documenting the intended income and expenditure, highlighting budget pressures and setting savings goals to balance the budget for the year to come. Cabinet, Scrutiny and Council have an active role in scrutinising financial plans, budget principles and assumptions. The Council’s stakeholders are also consulted as part of the budget setting process. As a result, the Council approved a balanced budget for financial year 2024/25 and associated Medium-Term Financial Plan for 2024/25 to 2027/28.</p> <p>However, the 2024/25 budget, set in February 2024, is underpinned by challenging savings targets that needs to be carefully monitored and managed to ensure the Council meets the planned budget set.</p>	<p>G</p>
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Overview and Scrutiny Panels carry out regular budget and performance monitoring throughout the year and have the opportunity to review how resources are allocated, monitor how they are used, examine their impact and if needed carry out additional scrutiny as required.</p> <p>The draft Council budget is presented to Cabinet in January, following which the proposals are available for Overview and Scrutiny Panels to consider. Comments on the budget proposals are then provided to Cabinet in February before being considered by Council at its February meeting.</p> <p>In year budget monitoring, including the forecast year end position, progress against savings plans, emerging pressures and risks and subsequent mitigating action is provided for Cabinet oversight on a quarterly basis.</p>	<p>G</p>

- 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.

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Council has arrangements in place to ensure that appropriate and properly informed decisions are made. The Worcestershire County Council Constitution sets out how the Council operates, how decisions are made and the procedures which can be followed to make sure these are efficient, transparent and accountable to local people.

A Forward Plan is available on the Council’s website providing an overview of key decisions to be made. All key decisions are also recorded and publicly available.

From our review of a sample of reports to Cabinet, we noted that these are supported with detailed information and that there is appropriate challenge and scrutiny in place. Reports clearly explain the action required and Legal, Financial, HR and where applicable Risk Implications are clearly explained.

We have raised two improvement recommendations to further enhance these arrangements. Further details can be found on the following pages of this report.

A

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

The Council has clearly defined the roles of its Directors, and its Cabinet and Committee structure enables effective oversight of operations and activities. The Council adopted the LGA code of conduct for members and declaration of interests arrangements are contained in the Council’s Constitution. Councillors declarations are available under their profiles within the public website.

The Annual Governance Statement is presented to the Audit and Governance Committee. A detailed action plan to ensure that work is undertaken to deliver the areas where it is recognised that governance arrangements could be strengthened supports any areas identified as requiring improvement. Progress against the plan is reported to Committee quarterly, however while we evidenced reporting in November 2022 and March 2023 no further updates were provided during 2023/24.

The review of the constitution is on-going but we did note that aspects of the review are now complete, such as the Contract Standing Orders and Financial regulations which have now been updated.

A

- 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.

Governance (continued)



Significant weakness identified

Internal Audit

The Council has in place arrangements for the provision of Internal Audit and Counter Fraud Services which are provided by Worcestershire County Council's in house Team.

In our 2022/23 Auditor's Annual Report we reported a significant weakness in respect of the arrangements in place for providing the Internal Audit provision noting it was not fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) and may impact the Chief Audit Executive's ability to provide an annual internal audit opinion.

From discussion with the Head of Internal Audit, we acknowledge there were a number of extenuating circumstances particularly regarding significant capacity issues, which have impacted all areas of the Internal Audit Service; with insufficient resource to deliver the Internal Audit Plan.

The service has been in a transitional period during 2023/24, however significant progress is now being made in a number of areas including appointing to key roles such as the substantive Chief Internal Auditor, and subsequently setting the vision for the service in the future.

Following our review in 2022/23, the following progress has been made with further developments continuing throughout 2024/25:

- Reviewing and updating the Audit Charter for 2024/25.
- Preparation of a PSIAS compliant Annual Audit Plan for 2024/25.
- Launch of a client feedback portal.
- Introduction of a new audit methodology.
- Preparation of an audit manual.
- Improved progress reporting to Audit and Governance Committee.
- New assurance level adopted from April 2024.
- Audit and Governance Committee self assessment undertaken.

While we acknowledge the progress being made in a number of areas we must acknowledge that the impact and outcome of these improvements will materialise from 2024/25 onwards and we have considered the arrangements in place during the 2023/24 financial year.

We do not consider that the 2023/24 Internal Audit plan was fully compliant with the requirements of the PSIAS.

The plan does not include key financial controls assurance reviews or a review of Risk Management; both of which are a requirement of the PSIAS and fundamental in providing the Head of Internal Audit year end opinion.

Review of delivery has evidenced significant slippage of planned work. From review of the 2023/24 Annual Report and Head of Internal Audit Opinion, we noted that it documents 27 pieces of work have been completed during the year, however, the report does not provide a full itemised list of reviews that have been completed to provide clarity on the basis of the overall opinion concluded. From review of the March 2024 progress report to Audit and Governance Committee - the majority of work has been grant certification and schools reviews with only two pieces of assurance work completed at that time.

To ensure the service is compliant with PSIAS an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. This has not been completed, however we acknowledge that priority during 2023/24 has been to re-establish a full team and aims to ready the service for a PSIAS reassessment during 2025.

We have concluded that significant weaknesses were still present within the arrangements and therefore the key recommendation remains in place.

Key Recommendation 3

The Council must continue to ensure there are robust arrangements in place for providing Internal Audit provision which is fully compliant with the requirements of the PSIAS and does not impact the Chief Audit Executive's ability to provide an annual internal audit opinion. This includes, but is not limited to, ensuring:

- In year delivery is sufficient to provide assurance and to inform the Head of Internal Audit Opinion and that any slippage is minimised.
- External assessment of the service is commissioned.
- Embed the changes to planning and reporting to Committee undertaken in 2023/24 and 2024/25.

Governance (continued)



Areas for improvement

Risk Management

In our 2022/23 Auditor's Annual Report we raised a significant weakness in respect of the arrangements in place for managing risk. While we acknowledged that new arrangements were being introduced we reported that The Council had not sufficiently progressed the improvement recommendations made within our 2021/22 Auditor's Annual Report and a lack of risk management reporting to Audit and Governance Committee between September and March 2023 resulted in the Committee being unable to demonstrate that it has discharged its duties in ensuring the Council has appropriate and effective Risk Management arrangements in place.

From our current review, we can evidence that the Risk Management Framework has continued to develop and embed during 2023/24 and into 2024/25.

During 2023/24 the Corporate Risk Management Group (CRMG) set the overall risk framework and had the responsibility of reviewing and challenging corporate risks monthly, supported by the specialist leads. The CRMG has since been disbanded and responsibility for risk has passed to the Chief Officer Group (COG).

The Pentana system, previously used for reporting risk was decommissioned during 2023/24 and adoption of a new system of reporting risks in Power BI has been implemented. The Head of Business Intelligence supported by Chief Officer Group (COG), maintains the Corporate Risk Register, monitoring identified risks, controls and mitigating actions. Regular reporting is provided to Audit and Governance Committee.

Directorate Leadership Teams monitor and review directorate risk registers and allocate resources to ensure risks management arrangements are effective. Assistant Directors are responsible for assessing and reviewing risks in a timely manner and report directly into the Chief Officer Group. This data forms the basis for reports to members via the Audit and Governance Committee. It also allows for risk reporting to be considered alongside performance and budget monitoring information, which are discussed in the same forum.

From our review of Audit and Governance Committee reporting we evidenced oversight reporting of risk throughout the 2023/24 year. We also noted that Risk Management Strategy has been reviewed and updated. The Strategy defines the Council's risk appetite, scoring methodology, allocates roles and responsibilities and articulates how risks are monitored and reviewed. The strategy is supported by a "Guide to Corporate risk Management" which provides procedural guidance in respect of risk registers, risk identification, assessment and how to manage and control risks.

From review of the Risk Register we noted it provides the key elements to provide assurance of risks being managed including risk owner, risk scores and identification of further actions etc. We did identify that target risk scores are currently not included and risks are not currently linked to Council Objectives and have therefore included improvement recommendations in this area.

To further enhance arrangements, the Council plans a further piece of work in 2024/25 to ensure that the corporate risk register reflects the Council organisational redesign which the Council is currently undertaking.

While we acknowledge that new procedures take time to embed, we have concluded that the Council has implemented a framework for managing risk council wide, supported by appropriate oversight and reporting processes. We have therefore removed the significant weakness and subsequent key recommendation raised in 2023/24.

Improvement recommendation 4:

To further enhance the arrangements in place for managing risk, the Council should:

- Include target scores on the risk register.
- Align risks to the Council's objectives.

Governance (continued)



Areas for improvement

Counter Fraud

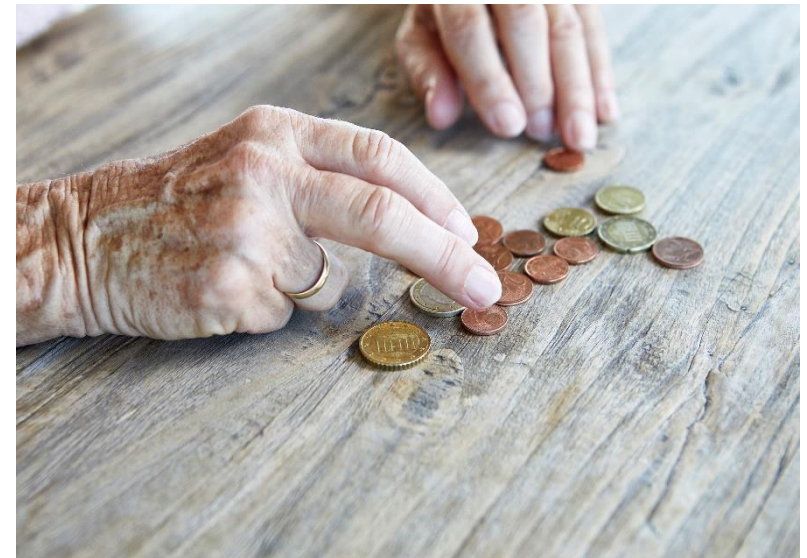
Local Counter Fraud is also provided as part of the Internal Audit Provision. These arrangements are not uncommon in Local Government; however we did note that the Counter Fraud Plan of work is integrated and embedded within the Internal Audit plan of work. To maintain objectivity and independence, in our 2022/23 Auditor's Annual Report we recommended that this is presented separately.

We considered the actions were still outstanding in 2023/24 and we have re-raised the improvement recommendation. However we note the arrangements for delivering Local Counter Fraud have changed for 2024/25 therefore we will assess these arrangements as part of work carried out in 2024/25.

Improvement recommendation 5:

To further enhance the Counter Fraud arrangements in place, the Council should:

- Demonstrate objectivity and independence between the Counter Fraud and Internal Audit Team.
- Include pro-active work in addition to re-active work, driven by a co-ordinated fraud risk assessment process.
- Ensure all fraud related policies as reviewed an updated.



Governance (continued)



Areas for improvement

Constitution

The Worcestershire County Council Constitution sets out how the Council operates, how decisions are made. The Council operates a Leader and Cabinet model and has a number of Overview and Scrutiny Committees in place.

The Audit and Governance Committee oversees the audit and corporate governance arrangements of the Council including the annual audit plans and reports of the internal and external auditors, the Council's system of internal control, risk management and prevention and detection of fraud and corruption. In particular, the Committee has responsibility for considering and approving the annual statement of accounts.

The Audit and Governance Committee currently consists of eight Councillors but does not include Independent Members. In 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) updated its position statement on Audit Committees in Local Authorities and reports that Audit Committees should include at least two co-opted Independent Members. We have therefore raised an improvement recommendation to this effect.

We have previously reported that the Council's Constitution is out of date and included an improvement recommendation to ensure this is reviewed and updated. We noted that the Council has a plan in place to complete this and elements such as the Financial Regulations and Contract Standing Orders have now been updated. There is still some work to do to update the Constitution and a recent report to Audit and Governance Committee documented that this will not now be completed until September 2024. We have therefore concluded that the Improvement Recommendation is still in place.

Any significant governance considerations are reported as part of the Annual Governance Statement (AGS). We noted that there were five key areas of focus identified for 2023/24. However we did not evidence that progress against associated actions have been reported to the Audit and Governance Committee.

Improvement recommendation 6:

The Council should consider the appointment of two Independent Members to the Audit and Governance Committee.

Improvement recommendation 7:

The Council should complete the review of the Council constitution as soon as practicable and ensure the updated constitution is published on the Council's public website.

Improvement recommendation 8:

The Council should ensure that key areas of focus, identified as significant governance considerations in the Annual Governance Statement are appropriately undertaken and progress reported to Audit and Governance Committee every six months.

Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council has arrangements in place to monitor and report upon its Strategic and Departmental performance, however we have made an improvement recommendation in this area to further enhance these arrangements. Further details can be found on the following pages of this report.
The Council acknowledges that better use can be made of benchmarking information and we have included an improvement recommendation that a corporate approach to benchmarking is developed.

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

The Council evaluates the services it provides to assess performance and identifies areas for improvement; this includes working with outside agencies and regulators where appropriate.
In November 2016, Ofsted judged Children’s Services in Worcestershire to be ‘inadequate’. Statutory Direction meant that the Council would move those services which were under direction into an Alternative Delivery Model (ADM).
Ofsted returned for another inspection of Children’s Services in June 2019. At this point, the Service was judged to ‘require improvement to be good’ in all areas, reflecting the strong progress made by Children’s Services since the 2017 inspection, and ahead of the implementation of the ADM model.
Worcestershire Children First (WCF) was launched in October 2019.
In July 2023, a full OFSTED inspection of Local Authority Childrens Services (ILACS) was undertaken with an outcome of Good for overall effectiveness of the services. Ofsted inspectors noted that there had been continued progress since the last inspection in 2019 and found that “the senior leadership team in WCF has continued to work effectively with political leaders to improve outcomes for children” and that “there is a coordinated drive to continue to improve children’s experiences and relationships with key partners are effective.”
Worcestershire had a full SEND inspection in April 2024 (published in July 2024). The report concluded that "There are widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently". The report is yet to be reported to Cabinet or the Children and Families Overview and Scrutiny Committee and is not included within the scope of our 2023/24 review, but will be a focus of our review undertaken in 2024/25.

G

- 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.

Improving economy, efficiency and effectiveness – (Continued)



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council delivers its role within its key partnerships and articulates within the Corporate Plan how enhancing its partnership working arrangements will assist in achieving its key objectives.

We have raised one improvement recommendation to further enhance the arrangements in place.

A

commissions or procures services, assessing whether it is realising the expected benefits

During 2023/24 the Council has appropriate arrangements in place to procure goods and services and manage its contracts. Centralised contract management sits with the procurement Category Managers. The Council has developed Supplier Categorisation and Management Guidance based on Platinum, Gold, Silver or Bronze methodology which dictates the level of oversight and contract management expectations that should be in place. Low value contract management is disseminated to team level.

Procurement has been identified as a key area for potential savings and has therefore been included as part of the 2024/25 Internal Audit Plan.

However; following the recent senior management review and voluntary redundancy scheme, a number of key officers are no longer in role. The Director post with responsibility for procurement has been deleted and the two Senior Officers below this post with responsibility for procurement have recently left. We do note that the Section 151 Officer has taken responsibility for procurement and there has been a recruitment to the interim Head of Commercial, and the Council are in process of recruiting to the role on a permanent basis. However this currently leaves a Category Manager vacancy. We have not made improvement recommendations in this area but will focus on the impact in our 2024/25 review.

G

- 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.

Improving economy, efficiency and effectiveness – (Continued)



Areas for improvement

Performance Reporting

The Council's Corporate Plan – Shaping Worcestershire's Future, sets out the priorities for the County and the services it provides. It highlights "how the Council will evolve its way of doing business to be able to deliver them and ensure its resources are used to maximum effect". The Plan is based on four key priorities; and for each priority it documents how success will be measured and the metric that will be used to monitor performance.

Performance reporting has been developed using Power BI, allowing for more efficient use of performance information, and ensuring that the most relevant and up to date information is used.

Corporate Plan performance is available on the Council's website and is updated on a six-monthly basis. From review of the information, it provides clear demonstration of the current position with an analysis and comparison over time where available. However, in some cases this did not provide an overview of how the Council is performing against its target for example where this reports current statistical data but does not provide the performance target. This is demonstrated in the information opposite where performance is rated as 77% but it is not clear what target is to give an indication of whether this is a positive or negative result.

We also did not see evidence that reporting against Corporate Plan performance is provided for Cabinet oversight; to allow for discussion and challenge or provide assurance on any action being taken. For example, the KPI opposite demonstrates a decline in performance over the previous two years; but Cabinet may not be sighted on what action may be in progress to address this.

Departmental performance is reported to the relevant Overview and Scrutiny Panel via the Performance and In Year Budget Monitoring Reports. From review of a sample of reports we found that performance relating to all areas of work, e.g. service quality, operational services, workforce and finance, is included and that areas for improvement are identified and reasons for not achieving targets is documented. However we did not see evidence that departmental performance is provided for Cabinet oversight.

We noted in our 2022/23 report that Power BI reporting had been developed for monitoring against Corporate and Communities performance indicators and this information is available on the Council's website. This has been further developed to include Environment departmental performance.

We also noted that there is an opportunity to further develop performance monitoring arrangements, by benchmarking costs and performance against similar bodies and using this data to identify areas for improvement.

Improvement recommendation 9:

The Council should enhance its performance monitoring and reporting arrangements in place to provide greater clarity and assurance by:

- Including Corporate Plan KPI targets where appropriate.
- Improving oversight reporting to Cabinet of both Corporate Plan and Departmental performance.
- Developing Power BI Performance Reporting for all Departments.
- Developing a corporate approach to benchmarking performance with peers

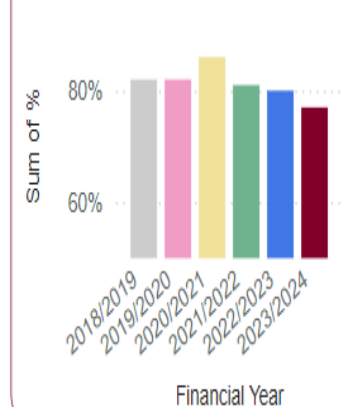
Improving residents' satisfaction with the county

Significant change from 22/23

77%

2023/2024 survey result

Performance over time



Improving economy, efficiency and effectiveness – (Continued)



Areas for improvement

Partnership Working

The Council delivers its role within its key partnerships and articulates within the Corporate Plan how enhancing its partnership working arrangements will assist in achieving its key objectives.

We have identified the opportunity to further enhance the arrangements in place to ensure there is a corporate approach to partnership working by developing a partnership strategy, maintain a partnership register and providing annual updates on partnership performance to members.

Improvement recommendation 10:

The Council should enhance its partnership management arrangements by:

- Development of a corporate partnership strategy or policy which outlines the basis that the Council will enter into key partnerships and monitor arrangements for such partnerships
- Maintain a list of key partners which captures all of the council's key partners the reason why these partnerships exist and the expected outcomes from such partnerships
- Present an annual report on partnerships reported to Cabinet which outlines performance of all key partnerships.



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



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit.</p> <p>1 The Council needs to ensure that officers are supported in making the changes needed.</p> <p>Progress in delivering savings and transformation plans should be tracked regularly by Cabinet, the Audit and Governance Committee and Scrutiny Committees.</p>	Key	Financial sustainability	Review of the Council's 2023/24 Outturn Report, 2024/25 budget and 2025 – 2028 MTFP.	<p>Large scale transformational projects take time to embed and longer term benefits and efficiencies may not realise in the short term and may impact the Council's ability to maintain financial sustainability.</p> <p>We have concluded that during 2023/24 there are still a number of signs of financial stress and therefore the key recommendations remain in place.</p>	<p>Actions: Cabinet and SLT / CoG are focused and working on options to balance the 2024/25 and 2025/26 Budget. This is due to significant pressures on our demand led services (Children's and Adults Social Care and Home to School Transport) which impact on Councils across the country. Currently a redesign of the council is well underway with a focus on structure that is smaller, leaner and affordable within the financial resources available as well as looking at the offer of services provided to residents. This is a challenge given there is a number of national policies that need to be addressed by the new government.</p> <p>Responsible Officers: Paul Robinson Chief Executive and Phil Rook Chief Financial Officer</p> <p>Due Date: Ongoing</p>

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

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
2 The Council needs to ensure that there is a robust plan in place outlining how the DSG deficit will be brought back into balance.	Key	Financial sustainability	Review of the Council's 2023/24 Outturn Report, 2024/25 budget and 2025 - 2028 MTFP.	The DSG deficit position is projected to be £86.5 million by 31 March 2025. The Council continues to work with the Department for Education's Delivering Best Value (DBV) programme but recognises that if the statutory override is not extended or financial support forthcoming, this presents a significant risk to the Council's general fund, unearmarked and earmarked reserves balances.	<p>Actions: High Needs Funding is a significant issue for this Council and others which cannot be solved without fundamental national policy changes. The CFO has highlighted this issue through work with the County Council Network (CCN). The Interim Director Children's Services is establishing a SEND Improvement Board as part of the improvement plan which will include VFM, however without national policy / funding changes this will be almost impossible to resolve locally.</p> <p>Responsible Officer: Adam Johnston Interim Director of Children's Services and Phil Rook Chief Financial Officer</p> <p>Due Date: Ongoing</p>

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council must continue to ensure there are robust arrangements in place for providing Internal Audit provision which is fully compliant with the requirements of the PSIAS and does not impact the Chief Audit Executive's ability to provide an annual internal audit opinion. This includes, but is not limited to, ensuring:</p> <p>3</p> <ul style="list-style-type: none"> In year delivery is sufficient to provide assurance and to inform the Head of Internal Audit Opinion and that any slippage is minimised. External assessment of the service is commissioned. Embed the changes to planning and reporting to Committee undertaken in 2023/24 and 2024/25. 	Key	Governance	<p>Review of Internal Audit Plan and progress reports for 2023/24.</p> <p>Discussion with Chief Internal Auditor.</p>	<p>Failure to meet Public Sector Internal Audit Standards</p>	<p>Actions: The Councils Internal Audit is in the process of being transformed and most of the improvements have been included in our revised planning and reporting into our processes from April 2024 to those charged with Governance. The PSIAS self assessment has been completed with an improvement action plan to be taken to Audit and Governance Committee in December 2024 and the independent assessment will be undertaken in Quarter 1 2025.</p> <p>Responsible Officer: Andy Bromage Chief Internal Auditor</p> <p>Due Date: December 2024 - Quarter 1 2025</p>

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>To further enhance the arrangements in place for managing risk, the Council should:</p> <p>4</p> <ul style="list-style-type: none"> • Include target scores on the risk register. • Align risks to the Council's objectives. 	Improvement	Governance	<p>Review of Risk Management Strategy, Corporate Risk Register and Risk reporting to Audit and Governance Committee.</p> <p>Discussion with key officers.</p>	Further enhancement to improved risk management arrangements	<p>Actions: Further enhancements are currently in process and appropriate targets will be added to the council's risk register.</p> <p>Responsible Officer: Rob Morris Head of Business Intelligence</p> <p>Due Date: December 2025</p>
<p>To further enhance the Counter Fraud arrangements in place, the Council should:</p> <p>5</p> <ul style="list-style-type: none"> • Demonstrate objectivity and independence between the Counter Fraud and Internal Audit Team. • Include pro-active work in addition to re-active work, driven by a co-ordinated fraud risk assessment process. 	Improvement	Governance	<p>Review of Audit and Governance reporting.</p>	To further enhance the Counter Fraud arrangements in place and maintain independent from the Internal Audit work.	<p>Actions: Revised policies have been approved through the Council's Governance processes. The CFO has compiled a video and these will be part of the quarter 3 mandatory training (October - December 2024) - for all staff to complete. This has also been linked with the whistleblowing basis with annual policy reviews.</p> <p>Responsible Officer: Andy Bromage Chief Internal Auditor</p> <p>Due Date: September 2024</p>

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
6 The Council should consider the appointment of two Independent Members to the Audit and Governance Committee.	Improvement	Governance	Review Audit and Governance Committee Reporting.	Further enhancement in accordance with CIPFA guidance.	<p>Actions: Management agree with principal and discussions will be held and a recruitment process will commence in time for the new administration in May 2025.</p> <p>Responsible Officer: Phil Rook Chief Financial Officer and Hazel Best Assistant Director for Legal and Governance (Monitoring Officer)</p> <p>Due Date: May 2025</p>
7 The Council should complete the review of the Council constitution as soon as practicable and ensure the updated constitution is published on the Council's public website	Improvement	Governance	Review of the Council's Constitution.	The Constitution is out of date and not in line with current practice	<p>Actions: Action Plan in place with completed areas been taken to council over the course of the year, the full review will be completed by the end of March 2025, the action plan is being monitored by the Audit and Governance Committee.</p> <p>Responsible Officer: Hazel Best Assistant Director for Legal and Governance (Monitoring Officer)</p> <p>Due Date: March 2025</p>
8 The Council should ensure that key areas of focus, identified as significant governance considerations in the Annual Governance Statement are appropriately undertaken and progress reported to Audit and Governance Committee every six months.	Improvement	Governance	Review of the Council's Constitution.	To ensure key areas of focus, identified as Significant Governance Considerations in the AGS are appropriately undertaken to ensure that the Council is not exposed to increased or prolonged risk.	<p>Actions: AGS Working Group established, and internal audit review been undertaken to ensure the AGS is reported appropriately through the organisation.</p> <p>Responsible Officer: Phil Rook Chief Financial Officer and Hazel Best Assistant Director for Legal and Governance (Monitoring Officer)</p> <p>Due Date: Ongoing</p>

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should enhance its performance monitoring and reporting arrangements in place to provide greater clarity and assurance by:</p> <ul style="list-style-type: none"> • Including Corporate Plan KPI targets where appropriate. • Improving oversight reporting to Cabinet of both Corporate Plan and Departmental performance. • Developing Power BI Performance Reporting for all Departments. • Developing a corporate approach to benchmarking performance with peers. 	Improvement	Improving economy, efficiency and effectiveness	Review of Performance Reporting to Cabinet and Overview and Scrutiny.	To ensure the Council is fully sighted on its financial and non-financial performance to ensure appropriate action and enhance informed decision making	<p>Actions: Work is ongoing to improve the visibility of Corporate performance Monitoring across the organisation, with an internal audit review to check the underlying process and data. Planning is being undertaken regarding a Peer review in late 2025.</p> <p>Responsible Officer: Rob Morris Head of Business Intelligence</p> <p>Due Date: December 2025</p>

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should enhance its partnership management arrangements by:</p> <ul style="list-style-type: none"> Development of a corporate partnership strategy or policy which outlines the basis that the Council will enter into key partnerships and monitor arrangements for such partnerships Maintain a list of key partners which captures all of the council's key partners the reason why these partnerships exist and the expected outcomes from such partnerships Present an annual report on partnerships reported to Cabinet which outlines performance of all key partnerships 	Improvement	Improving economy, efficiency and effectiveness	There is no corporate approach to this. Other Councils we work with have developed a partnership strategy, maintain a partnership register and provide annual updates on partnership performance to members.	Adoption of such arrangements will provide a more comprehensive process to ensure all key partnerships are contributing to delivery of corporate objectives.	<p>Actions: The recommendation is noted, and this will be implemented by the Democratic Team.</p> <p>Responsible Officer: Hazel Best Assistant Director for Legal and Governance (Monitoring Officer)</p> <p>Due Date: March 2025</p>

Appendices

Appendix A: Responsibilities of the Council

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

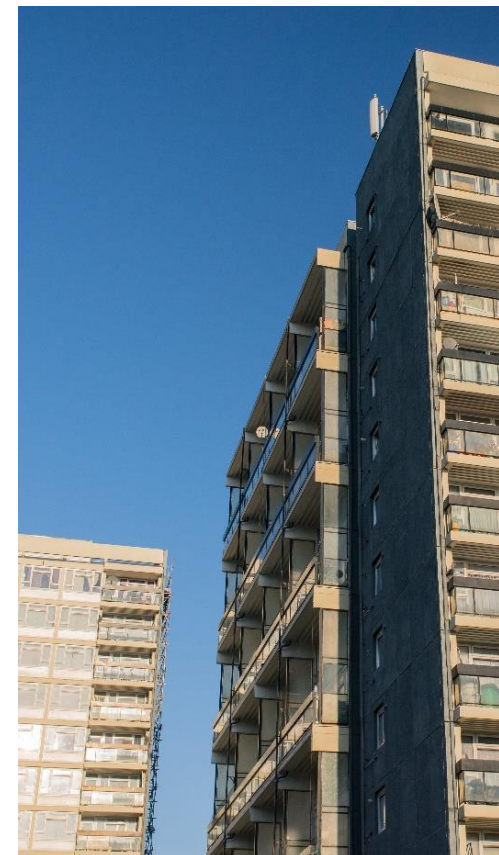
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

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

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

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

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

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

Phase 1 – Planning and initial risk assessment

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

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

Appendix C: Follow-up of previous recommendations

Key Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>1 The Council has a strong record of financial management and is already responding to these matters. However, given the increased level of financial stress it is facing all members needs to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. Progress in delivering savings and transformation plans should be tracked by Cabinet, the Audit Committee, and Scrutiny Committees.</p>	Key	June 2023	The Council has progressed a number of changes to secure a sustainable budget including developing the 'Our Future Council' transformation and reorganisation programme'. This aims to redesign the Council with a focus on a structure that is smaller, leaner and affordable as well as considering the offer of services provided to residents. However large scale transformational change takes time to embed to deliver outcomes; therefore we have concluded that during 2023/24 there are still a number of signs of financial stress and therefore the key recommendations remain in place.	No	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See key recommendation 1.
<p>2 The Council needs to ensure that there is a robust plan in place outlining how the DSG deficit will be brought back into balance. Regular reporting and oversight of progress should be provided through the Children and Families Overview and Scrutiny Panel.</p>	Key	June 2023	The non-schools DSG reserve is a deficit balance of £20.3 million at the start of the 2023/24 year; the position at year-end is £43.6 million deficit and will be carried forward. High Needs Block (HNB) expenditure overspent by £27 million in 2023/24; a significant increase from the £11.1 million High Needs overspend in 2022/23. This deficit is recorded as a negative unusable reserve on the balance sheet currently permitted via a statutory override which is in place to the end of March 2026.	No	We have re-raised a recommendation that the Council needs to ensure there is a robust plan in place outlining how the DSG deficit will be brought back into balance. See key recommendation 2.

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

Appendix C: Follow-up of previous recommendations (continued)

Key Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>The Council must ensure there are robust arrangements in place, covering the whole year, to manage risk. This includes but is not limited to:</p> <ul style="list-style-type: none"> Ensuring there is an up to date Strategy in place which sets out clearly defined roles and responsibilities for all key stakeholders. There is supporting Risk Management guidance or operational procedures which include as a minimum, the approach and process for: <ul style="list-style-type: none"> Risk identification and assessment, including scoring methodology and impact assessment criteria. Managing Risks, including determination of controls and assurances. Risk Monitoring and Oversight, including reporting, escalating and de-escalating risks. Ensuring there is appropriate and timely reporting to the Audit and Governance Committee (AGC) to enable the Committee to demonstrate that it has discharged its duties in ensuring the Council has appropriate and effective Risk Management arrangements in place. A review of Audit Committee effectiveness is undertaken to assess how well functioning the Audit and Governance Committee is in discharging its duties. 	Key	March 2024	<p>In our 2022/23 Auditor's Annual Report, a significant weakness was raised regarding the Council's risk management arrangements. Insufficient progress was noted in implementing previous improvement recommendations and a lack of risk management reporting to the Audit and Governance Committee. In our 2023/24 review, evidence shows that the Risk Management Framework has continued to develop and embed. A new system for reporting risks in Power BI was implemented, and regular reporting to the Audit and Governance Committee is provided. The Risk Management Strategy has been reviewed and updated, and the Council plans to further enhance its risk register to reflect organisational redesign.</p>	Yes	<p>Overall, while we recognise new procedures can take time to embed, the Council has implemented a framework for managing risk supported by appropriate oversight and reporting processes. We have therefore removed the significant weakness and subsequent key recommendation raised in 2023/24.</p> <p>We have raised one Improvement recommendation to further enhance the arrangements in place.</p>

Appendix C: Follow-up of previous recommendations (continued)

Key Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>The Council must ensure there are robust arrangements in place for providing Internal Audit provision which is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) and does not impact the Chief Audit Executive's ability to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This includes, but is not limited to, ensuring:</p> <ul style="list-style-type: none"> The Annual Internal Audit Plan provides adequate coverage in the areas of Risk Management, Governance Arrangements and Financial Controls. In year delivery is sufficient to provide assurance and to inform the Head of Internal Audit Opinion and that any slippage is minimised. Any changes or omissions to the plan are approved by the Audit and Governance Committee (AGC) and the risk of such changes or omissions are fully rationalised. External assessment of the service is commissioned. 	Key	March 2024	Some areas have been addressed such as reporting changes to the plan to Audit and Governance Committee and preparation of a PSIAS compliant Annual Audit Plan for 2024/25. However, coverage in 2023/24 was limited and the service has not yet been externally assessed but is planned for 2025 once the new professional internal audit standards have come into force.	Not for 2023/24	We have re-raised a recommendation to ensure that there are robust arrangements in place for providing Internal Audit provision which is fully compliant with the requirements of PSIAS. See key recommendation 3.

Appendix C: Follow-up of previous recommendations (continued)

Improvement Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should ensure there is a robust financial governance framework around the delivery of its Capital Programme.	Improvement	June 2023	<p>The Council acknowledged that this was an area that needed to improve and informed us that improvements to governance arrangements have been put in place during the 2023/24 financial year.</p> <p>A programme of training has also been implemented including Treasury Management with linkages to the capital programme for all senior officers and elected members and a training programme dedicated to Capital monitoring and forecasting for all managers who hold a capital budget.</p> <p>All project managers have been written to remind them of their corporate responsibilities.</p>	Yes	<p>We have not made further recommendations in this area as new processes take time to embed. However we acknowledge that capital programme delivery remained an issue for the Council during 2023/24 with slippage into 2024/25.</p> <p>We will review progress and the impact of the new arrangements in 2024/25.</p>
2 To further enhance the Counter Fraud arrangements in place, the Council should: <ul style="list-style-type: none"> • Demonstrate objectivity and independence between the Counter Fraud and Internal Audit Team. • Include pro-active work in addition to reactive work, driven by a co-ordinated fraud risk assessment process. • Ensure all fraud related policies are reviewed and updated. 	Improvement	March 2024	<p>Our review has found that the split between internal audit and counter fraud has not yet been established and there is limited evidence of proactive fraud work during 2023/24.</p> <p>Fraud policies have been reviewed and updated.</p>	No	<p>We considered the actions were still outstanding in 2023/24 and we have re-raised the improvement recommendation. However we note the arrangements for delivering Local Counter Fraud have changed for 2024/25 therefore we will assess these arrangements as part of work carried out in 2024/25.</p>
3 The Council must ensure that key areas of focus, identified as significant governance considerations in the Annual Governance Statement are appropriately undertaken.	Improvement	March 2024	<p>No updates were provided to Audit and Governance Committee in 2023/24.</p>	No	<p>This recommendation remains open.</p>

Appendix C: Follow-up of previous recommendations (continued)

Improvement Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>The Council should review and update the Constitution. This should include:</p> <ul style="list-style-type: none"> Ensuring the Constitution accurately reflects the roles and delegated responsibilities of the Council, particularly where changes to job titles and Council functions have been made. Documenting the timescales for preparing and approving the budget aligned to the nationally agreed framework. 	Improvement	June 2023	The review of the constitution is on-going. Aspects are now complete, such as the Contract Standing Orders and Financial regulations have already been updated and the review is due to be completed by autumn 2024.	Partially	Completion of the review of the constitution is required . An improvement recommendation has been raised.
<p>The Councils Financial Regulations and Contract Standing Orders (CSOs) should clearly articulate the roles and responsibilities for procuring, awarding and approving contracts. This should include threshold boundaries and a transparent process for wavering these rules.</p> <p>The Council should also have in place in place appropriate oversight and reporting processes to provide assurance of its achievement of agreed procurement outcomes or to demonstrate an efficient and effective service and compliance with procurement rules.</p>	Improvement	March 2024	The Financial Regulations and Contract Standing Orders have been revised in 2024 . A separate threshold document has also been developed. The procurement process is monitored by the Commercial Board which is chaired by the Chief Executive.	Yes	No

