

Auditor's Annual Report on East Staffordshire Borough Council

2021/22

June 2023



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

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



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

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Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified.	↑
Governance	Risks identified in the areas of risk management and risk reporting (based on our findings from 2020/21), and governance (following the outcome of the Corporate Peer Review)	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified but three improvement recommendations identified.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified.	No significant weaknesses in arrangements identified.	↔

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

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

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have not yet completed our audit of your 2021/22 financial statements as a result of ongoing queries into small number of Council's property valuations. The Council has appointed a new valuer to revalue the queried assets. We anticipate that these queries will be resolved soon.

Statutory recommendations

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

We did not issue any statutory recommendations.

Public Interest Report

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

We did not issue any public interest reports.

Application to the Court

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

We did not make any applications to the court.

Advisory notice

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

We did not issue any advisory notices.

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

Judicial review

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

We did not make any applications for judicial review.

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

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

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

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

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



Financial Sustainability

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



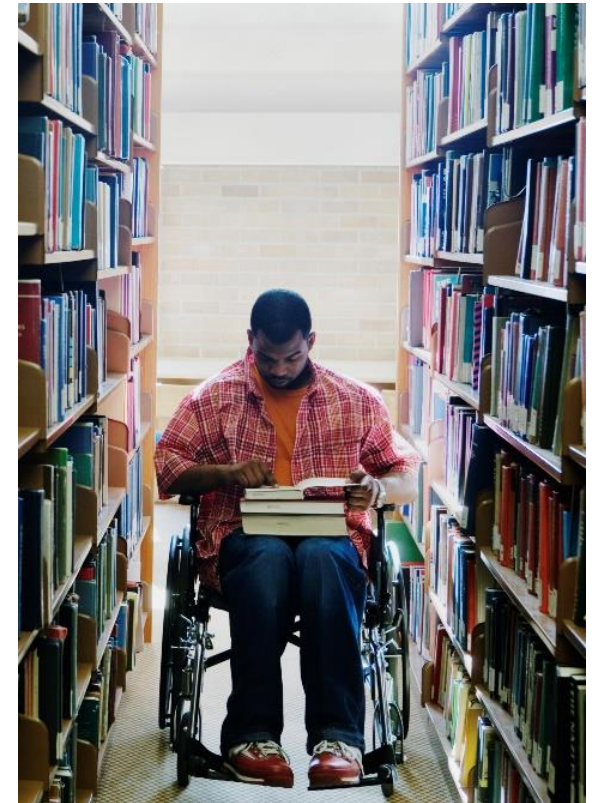
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 18. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

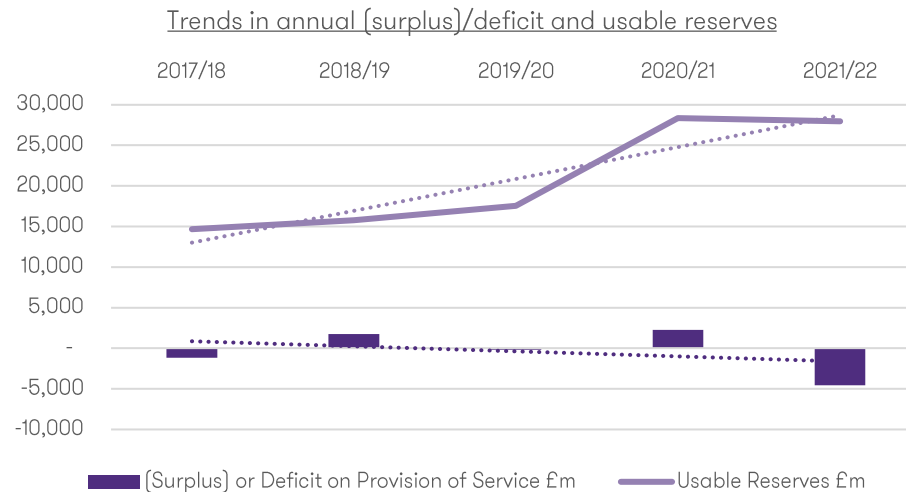
- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic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

Financial performance in 2021/22

East Staffordshire has historically performed well, with a record of strong financial and budgetary control.

The outturn position for the Council in 2021/22 resulted in a surplus on the provision of services of £4.6m in the Comprehensive Income and Expenditure Statement. The outturn against the approved revenue budget for the year was a contribution to reserves of £0.4m, £1.5m better than planned in the budget.

In spite of this, there was a small decrease in general fund reserves of £1.4m, to £26.4m. The reduction in reserves is mainly due to the planned use of the earmarked reserve held for the purpose of offsetting the 2020/21 Collection Fund deficit caused by the Covid-19 pandemic over a three year period, in line with government grant funding arrangements.



Financial outlook

The Council identifies future cost pressures as part of its annual budget setting process, which supports the development of the medium term financial strategy (MTFS). The MTFS is developed with input from members and service managers, and takes into account the strategic priorities set out in the Corporate Plan as well as key assumptions around costs and funding. Each MTFS is supported by an asset management and capital strategy and treasury management strategy.

The MTFS for 2022/23 to 2024/25 was approved by the Council in March 2022. The budget for 2022/23 was balanced with a planned contribution to reserves of £0.6m, and the budgets for 2023/24 and 2024/25 were planned to be supported by windfall business rates. The estimated use of reserves over the period to 2024/25 was planned to be £1.5m.

The MTFS is revised annually, and the outlook for the period to 2024/25 had improved in the MTFS approved in February 2023, with only £0.2m of reserves expected to be utilised in the period.

We note that although the budget for 2025/26 is expected to rely more heavily on reserves, there is significant uncertainty relating to the outcome of the government settlement for local government. Even with the use of reserves as set out in the February 2023 MTFS, total reserves are forecast to remain above £12m by the end of 2025/26. We consider this to be an adequate level of reserves, compared to net revenue expenditure forecast to be £16.7m in 2025/26 and in light of the Council's position in the CIPFA Financial Resilience Index, which places the Council at lower risk of financial stress for 2021/22.

Financial sustainability

Financial Pressures and Savings

The Council identifies future cost pressures (financial risks) as part of its annual budget setting process and medium term financial planning. Financial risks have been RAG-rated based on their expected impact and likelihood, and the MTFS sets out how these risks are being managed.

Some of the most significant financial risks identified are:

- Business Rates – there is a risk of reduced income levels as a consequence of wider economic changes. Business rates income is also affected by the number and level of mandatory and discretionary reliefs applied. The current business rates retention scheme is due to be reset and the Council reflected this in their March 2022 medium term plan by reducing business rates income by 50% from 2023/24. Following further announcements from central government, the 2023 MTFS assumes the business rates reset will take place in 2025/26.
- The impact of Covid-19 and general economic factors including reduced economic growth, rising interest rates and wage and cost inflation, with consequences for income from fees and charges (such as car parking, planning, recycling and markets) and the Council's revenue costs.
- Uncertainties in funding from central government – reforms have been proposed, including a needs based review of funding levels and business reset, but annual funding settlements make it harder to plan beyond the short term.
- Regeneration – the Council's regeneration plans, including projects within the Towns Fund programme, have been identified as an area of risk due to the possibility of cost increases above central government funding or approved capital spending levels.

Cost savings and income growth are taken into account each year when setting the budget although the Council does not currently have a formal savings plan. The 2022/23 budget included £1.5m of additional savings and income across a range of areas, with the majority of the upside coming from additional investment income, reduced supported housing demand, growth in recycling income and reduced Covid-19 contingency costs.

The budget for 2023/24 includes £2.3m of additional savings/income, with two-thirds of this total attributed to additional income earned on investments.

We consider that the savings/income growth included in the budget are reasonable, given the future outlook for interest rates in the short to medium term, and the Council's track record in delivering savings in the past.

Auditor judgement

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses or improvement recommendations.

Governance



We considered how the Council:

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

Risk Management

The Council identifies and manages risks at three levels within the organisation – service risks (circumstances that may negatively impact on the operation or the budget of the Council), corporate risks (liabilities and dangers faced by the Council, mainly externally driven) and strategic risks (arising from decisions made by the Corporate Management Team or Cabinet regarding the Council's objectives and activities). Individual risks are scored for severity of consequences and probability of occurrence (for both threats and opportunities).

Day-to-day management of risks is the responsibility of service managers. Risk registers are used to record risks, and risks are discussed regularly by officers including at the monthly Corporate Management Team (CMT) meeting.

Risks are reported quarterly to Cabinet and the Audit Committee (as part of the quarterly Revenue and Capital Outturn Report).

We made an improvement recommendation in our 2020/21 Auditors Annual Report, that the Council should refresh its risk reporting to include clear articulation of the individual managers who are responsible for managing each risk and to show the likelihood and impact of risks at the both an inherent and residual (after mitigating actions have been taken into account) level.

During 2021/22, there were no changes to the risk management framework or risk reporting, but a revised risk management policy was under development to replace the 2014 Risk Management Strategy. The draft policy which we have reviewed has taken into account our improvement recommendations from 2020/21. The Policy is yet to be ratified by the Cabinet.

The revised corporate and strategic risk register templates include inherent and residual risk scores, details of follow on actions, allocation of risks to named officers where appropriate and referencing to corporate priorities.

These are positive steps, but we would encourage the Council to further develop this by using a risk-consequence-cause approach to defining risks, and by ensuring that action and risk treatments are SMART (specific, measurable, achievable, realistic and timely). It would also be standard practice to include the direction of travel for each risk. See improvement recommendation on page 13.

Governance

Informed decision making

The Council has adopted a Leader-Cabinet model of decision-making. In this model, the Leader of the Council is elected by all Council members. The Leader then appoints and chairs the Cabinet. The Leader has overall responsibility of the functioning of the Cabinet and is responsible for corporate matters such as health & safety, asset management and the corporate plan. Under the Council's Constitution, each Cabinet member is responsible for a portfolio area, covering the following themes:



The Cabinet is responsible for making Executive Decisions and exercising other Executive Functions at each monthly Cabinet meeting. However, some decisions are required to be made by the full membership of the Council, such as approval or amendment of the budget and the Council's policy framework or changes to the Constitution.

The possible decisions to be made by the Cabinet and Council are published in a forward plan which is updated every month so that the necessary notice of key decisions is provided, in line with the Council's legal obligations. The Council also relies on other committees for specific areas of decision making, such as planning and licencing decisions.

Where matters requiring a decision to be taken by the Cabinet or full Council arise, a report is prepared (authorised by the relevant Chief Officer) outlining the details of the decision and options to consider, legal, financial and regulatory implications, and the action recommended by the Chief Officer. The report will be considered by the Corporate Management Team, Leader and Deputy Leader group, and Advisory Groups for the Leader's, Opposition Leader's and Independent Alliance political groups before being tabled at Cabinet. The aim of this process is to allow the views of officers and members to be taken into account as part of the development of the decision report. Our review of the decision reports found that sufficient and appropriate information was included to support informed decision-making.

Scrutiny Committees

Scrutiny committees provide a means for Council members outside of the Cabinet to exercise scrutiny over decisions made by the Cabinet members. During 2021/22, the Council operated two scrutiny committees - the Audit and Value for Money Council Services Committee and the Community Regeneration, Environment and Health and Well Being Committee. The Scrutiny Committees met at least quarterly, and considered matters such as the Council's performance against Corporate Plan targets, and relevant Executive Decisions. During 2021/22, both Scrutiny Committees completed a review of waste (and recycling) management as well as one other review topic. However, it is not clear whether these reviews added value to the Council's activities, since no changes have been made to waste management arrangements or leisure charges since the reviews were completed.

The Audit and Value for Money Council Services Committee also performed the functions of the Audit Committee, but in May 2022 the Constitution was amended to separate the Audit Committee responsibilities from the Scrutiny Committee, and to split the Scrutiny work between three new Scrutiny committees – Value for Money, Environment, Health & Wellbeing and Community & Regeneration. This change appears to be working well, with members indicating that Scrutiny committees are operating more effectively since the changes were introduced. A greater number of scrutiny reviews has been completed since the changes were made, but there is no agreed programme for scrutiny reviews set at the start of the year.

Governance

To maximise the effectiveness of Scrutiny Committees, it is important that the committee members identify appropriate areas for consideration. We therefore recommend that the Council considers developing a work programme at the start of each municipal year. See improvement recommendation on page 14.

Corporate Peer Review

In 2021/22, the Council participated in the Corporate Peer Review undertaken by a team from the Local Government Association (LGA). The findings reported by the LGA in December 2021 suggested a number of areas where improvements to the Council's way of working would be beneficial to support informed decision making.

The LGA revisited the Council in late 2022 to follow up on progress since their initial visit. They reported that good progress had been made in many areas, and that plans were in place to address other areas. In particular, the follow up report noted that there was an increased sense of collaboration and synergy amongst the top team (Chief Officers and Cabinet members), and closer working and collaboration across political groups. Financial literacy training has been provided to members which has increased the level of understanding regarding financial decisions and how financial considerations can impact aspirations and the shared vision for the borough. The revised committee structure was found to be better aligned to the Corporate Plan priorities.

Nonetheless, the Council should continue to strive towards addressing the recommendations made in the Corporate Peer Review.

Internal Controls

The Council has engaged CW Audit Services to provide Internal Audit services. CW Audit Services have a dedicated professional team of auditors, who have a demonstrated history of extensive experience of working in both the public and private sectors.

The internal audit team were able to complete the majority of their planned work for 2021/22. The internal audit work programme has been agreed for 2022/23 and this work has made good progress.

The results of the work completed by internal audit in 2021/22 provides reasonable assurance that internal controls were operating as expected, including for the prevention and detection of fraud.

The Council's Constitution includes a Code of Conduct which applies to all officers and members, a Whistleblowing Policy and an Anti-Fraud and Corruption Strategy. These are designed to prevent and help detect any instances of fraud.

Standards

The Council's Constitution includes a range of requirements which are intended to help members and officers to comply with legal and regulatory standards, as well as a comprehensive policy on gifts and hospitality.

The Council has a long-established Standards Committee, which considers the reports of the Monitoring Officer on complaints and breaches of the Code of Conduct. In addition, all officers and members are required to make annual declarations of interest, and to declare relevant interests at any Council meetings.

The updated Constitution also provides for a Chief Officers Standards Committee, with responsibility for consideration of any disciplinary and/or capability matters arising in relation to the Statutory Officers (the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer) and other Chief Officers (other Heads of Service) of the Council. The Chief Officers Standards Committee is chaired by the Leader of the Council, but has not met in 2022/23.

Six complaints regarding the Council were received by the Local Government and Social Care Ombudsman (LGO) for the year ended 31st March 2022. One of these complaints was investigated and upheld, but we do not consider that the case is indicative of a significant weakness in arrangements at the Council.

The Council received 34 formal complaints during the 2021/22 financial year, a decrease from the 50 complaints received in the previous financial year. The vast majority of formal complaints were resolved at Stage 1 of the complaints procedure.

We have not noted any evidence of significant non-compliance with the Council's constitution, nor with regulatory, statutory or professional standards. We have not been made aware of any serious data security breaches.

Governance

Burton-upon-Trent Towns Fund

The most significant decision made by the Council in 2021/22 related to the proposals for the Council's bid for investment in Burton upon Trent as part of the Towns Fund operated by the Department for Levelling Up, Housing and Communities (DLUHC). In March 2021, the Council was awarded £23.8m for investment, and was required to submit detailed proposals to DLUHC by 24 March 2022.

In accordance with guidance from DLUHC, the Council (the accountable body for the project) established a Town Deal board. The Town Deal Board has clearly defined responsibilities including overseeing each stage of the process of agreeing a Town Deal, helping with development of business cases, and overseeing compliance with the Heads of Terms agreed with DLUHC. After the agreement of the Heads of Terms, the Council's regeneration team worked with project sponsors to develop business cases for each project. The business cases were then assessed by a separate team within the Council – this segregation of roles is an example of good practice. Each business case was assessed using a Green Book compliant “five case model” with an overall assessment as high, medium or low and a benefit cost ratio calculated.

Once the business case evaluations were completed, members were briefed by officers on the details of each project and the outcome of the evaluations. Evaluation documentation was made available to members but officers reported that there was low take up of this opportunity.

The business cases and evaluations for each project were included in the agenda item for the A&VM Scrutiny Committee on 9 February 2022. A&VM Scrutiny Committee members considered the proposals and a record of the lengthy discussions at the meeting was shared with the Cabinet in order to inform their consideration of the proposals on 14 February 2022.

All members of the Cabinet voted in favour of the business cases for the projects being taken forward and that the proposals be submitted to DLUHC, subject to ratification of the decision at the next available full Council.

The minutes of the Council meeting of 28 February 2022, show that there was again lengthy discussions about the proposals put forward in each business case, with a number of amendments proposed but defeated during the session. Some projects were more contentious for members, such as the proposal within Project E (Library and Enterprise Hub) for an asset transfer between the Council and Staffordshire County Council and relocation of the town library from the current site to the Market Hall. The result of the meeting was that the Council did not ratify the decision of Cabinet to take forward the business cases and submit proposal to DLUHC.

Following this decision, there was limited time available to reconsider the Towns Fund programme bid before the submission deadline. Officers worked closely with the Acting Leader of the Council and the Leader of the Opposition to develop alternative proposals with Project E removed and Projects D (High Street Linkages) and G (Improvement of Trent and Mersey Canal Towpath) adapted and re-costed using the funds from Project E. The revised proposals were approved at the full Council meeting on 21 March 2022, and the bid was submitted to DLUHC by the deadline.

In August 2022, DLUHC announced that the Council's bid was successful. Officers have indicated that designs and plans are due to be finalised by the end of 2023, with physical work commencing in 2024. In November 2022, the Council agreed to purchase the High Street site of Molson Coors. This purchase was part of the proposal for Project D.

We have not identified any evidence that the governance processes established for the Towns Fund programme were inappropriate, but given the significance of the decision, and the complex information under consideration, we consider that it would have been beneficial if there had been:

- more engagement from members at an earlier stage in the process, taking advantage of opportunities offered by officers involved in the programme, so that concerns and feedback could be shared with officers and the executive team
- a more collaborative approach to developing a consensus view amongst members prior to the initial Council decision.

We discussed the timeline and management of the decision-making in respect of the Towns Fund programme with members and officers. Members clearly recognised the lessons learnt from their experience.

Governance

Financial reporting

The standard of the Council's draft accounts has historically been good, and there is no history of failure to meet statutory reporting deadlines. Unmodified audit opinions have been issued for the 2020/21 and previous financial statements. However, the audit of the 2021/22 statement of accounts was not completed in line with the statutory deadline.

The delay was largely due to issues with the valuation of land and building assets held on the Council's balance sheet, which have taken some time to resolve. The Council has needed to engage a new valuer to revalue a small number of its assets in order to support the values recognised in the statement of accounts.

During 2021/22 and 2022/23, there have been some changes in the finance team, with some senior staff leaving the Authority and others reducing their working hours, as well as some losses of staff at a more junior level.

We understand that the Council has appointed two temporary accountants to assist with the preparation and audit of the 2022/23 financial statements, but we have made an improvement recommendation that the Council should ensure that vacancies within the finance team are filled on a permanent basis as soon as possible. See improvement recommendation on page 15.

Budget setting

The Council has developed guidelines to support the annual budget setting process. A detailed budget review is undertaken in October, for the following budget year. The process includes meetings between staff from the Financial Management Unit and budget managers, with a parallel process for capital and discretionary revenue bids. Once the internal engagement and consultation process is completed, a Star Chamber is convened of the Leader and Deputy Leader of the Council together with senior management, to further review the budget proposals. Subsequently, the budget is presented to the Cabinet and full Council for approval in February. This process appears to work effectively.

The Council undertook a public consultation process in late 2021 to identify spending priorities amongst the local population it serves. Responses to the consultation have been taken into account when setting budgets.

Financial and performance monitoring

The Council operates a monthly budget monitoring process. Heads of Service are provided with monthly monitoring reports, and can also monitor their budget areas via reports from the self-service module of the finance system. The impact of all variances on the financial position of the Council, particularly those which impact on reserves, is carefully considered. Where variances are identified, Heads of Service are expected to take appropriate action and escalate any unresolved issues to the Chief Finance Officer.

Budget monitoring reports are produced quarterly and reported to Cabinet and the A&VFM Scrutiny Committee. The quarterly outturn report includes a high level overview of performance against budget, followed by an appendix which details income and expenditure for each service line, compared to the expected outturn for the quarter. Variances are analysed in detail, with all forecast pressures given a risk rating and detailed action plan.

We found that reporting was timely, the level of detail in the quarterly outturn report is appropriate to facilitate decision making, and members we spoke to were positive about the quality and value added by the reports.

A separate Corporate Performance Report tracks the performance of the Council against the targets set out in the Corporate Plan. This is reported alongside the budget monitoring information in the quarterly outturn report. Links between corporate performance and budget monitoring are clearly noted in the quarterly outturn report.

Auditor judgement

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have however identified three opportunities for improvement, set out in more detail on pages 13 to 15.

Improvement recommendations



Governance

Recommendation 1

The Council has taken positive steps to improve risk reporting, but we recommend that further enhancements such as using a risk-consequence-cause approach to defining risks, ensuring that action and risk treatments are SMART (specific, measurable, achievable, realistic and timely) and showing the direction of travel for each risk, would be beneficial.

Why/impact

A risk-consequence-cause approach to defining risks would allow for greater clarity about the source of the risk and why it is important.

SMART risk treatments would provide greater clarity on whether actions are being taken in accordance with stated plans, and to measure effectiveness.

Reporting direction of travel would increase visibility of trends in reported risks, which could influence decision-making.

Auditor judgement

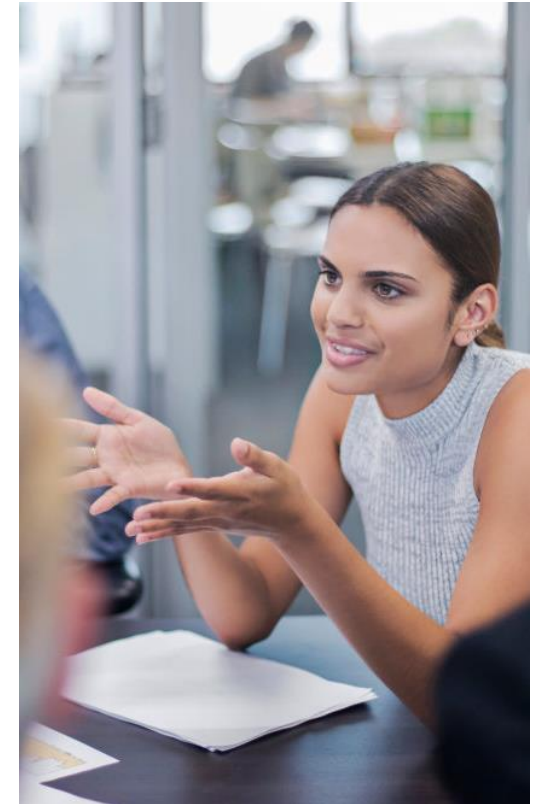
Risk registers are an important tool which is used to report and monitor the most significant corporate and strategic risks which have been identified by the Council.

Summary findings

Risk reporting is set to be refreshed in 2023/24 but our review of the proposed policy and pro forma risk register templates and completed examples found that the risk description and treatment descriptions continued to be worded in very high level terms without specifying important details of risks and their treatment.

Management Comments

This will be considered as part of the refreshed policy to be considered by Cabinet later in the year.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 2

We recommend that scrutiny committee chairs, supported by members, develop a work programme for each scrutiny committee at the start of each municipal year.

Why/impact

Without a proactive plan in place, scrutiny committees may not be optimally effective in holding the Executive Team to account.

Auditor judgement

In the Leader-Cabinet model of governance, the role that scrutiny committees can play in holding an authority's decision-makers to account makes it fundamentally important to the successful functioning of local democracy. Effective scrutiny helps secure the efficient delivery of public services and drives improvements within the authority itself. Conversely, poor scrutiny can be indicative of wider governance, leadership and service failure.

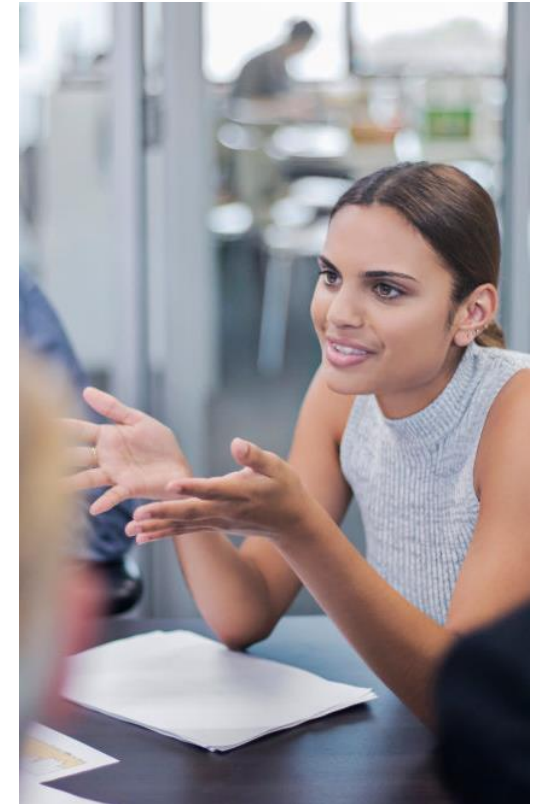
Summary findings

The Council's two scrutiny committees which were in place in 2021/22 produced four scrutiny reviews in total, of which two related to the same topic – this indicates that reviews have not been planned strategically. In addition, there was little evidence that the reviews have added value to the Council's activities as no changes have been made to waste management arrangements or leisure charges following the reviews.

There is no proactive plan for scrutiny reviews to be undertaken each year.

Management Comments

To be highlighted to the newly appointed Scrutiny Chairs.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 3

The Council has appointed two temporary accountants to assist with the preparation and audit of the 2022/23 financial statements, but we recommend these vacancies within the finance team are filled on a permanent basis as soon as possible.

Why/impact

The role of the finance team in maintaining financial controls and producing high quality reports is critical to the good governance of the Council.

Auditor judgement

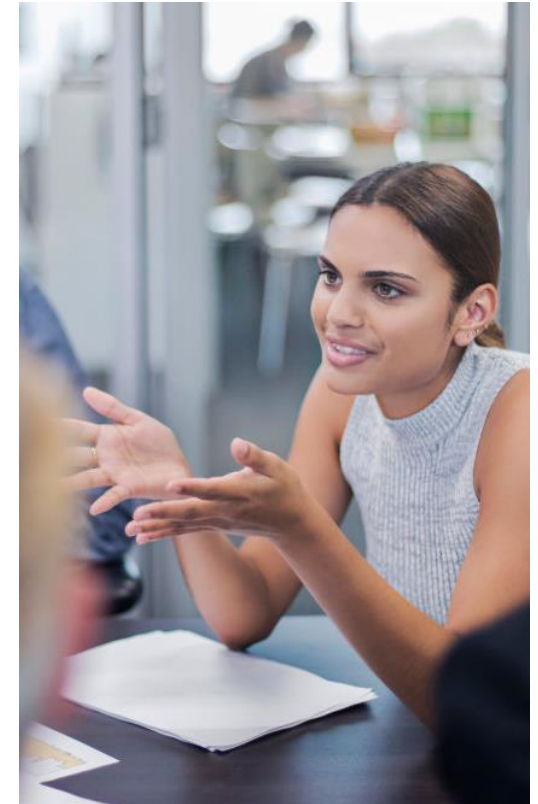
A stable and well-resourced finance team will better support the Cabinet and Corporate Management Team in developing the Council's plans and management of the financial position.

Summary findings

During 2021/22 and 2022/23, there have been some changes in the finance team, with some senior staff leaving the Authority and others reducing their working hours, as well as some losses of staff at a more junior level.

Management Comments

Vacancies are currently under recruitment, however the market for local government finance professionals is very challenging at present.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Self assessment of performance

Performance against the Corporate Plan targets

The Council has a good focus on the assessment of its performance. Quarterly, the Council reviews its performance against key performance indicators set out in the Corporate Plan, which align with the three corporate priorities. Performance is reported to the Corporate Management Team, Cabinet, Council and Scrutiny Committees.

In 2021/22, there were 129 performance indicators included in the Corporate Plan (2020/21: 81). During the year, 7 of these were either deferred or deleted.

At Quarter 4, 94% of the live targets were rated green (2020/21: 88%), with 2% rated amber (2020/21: 4%) and 4% rated red (2020/21: 8%). For each indicator with a red or amber status, the performance report includes an update on progress and causes of delays and a detailed analysis of performance against each measure is presented as an appendix to the report, with responsible officers named, which allows all members and local electors to scrutinise the Council's performance more closely.

Benchmarking

The Council uses a subscription to LG Inform to measure the Council's performance against other local authorities. The Corporate Plan for 2021/22 included targets for the Council to reach 'top' or 'upper' quartile performance for waste management and planning application measures, as these have been identified as areas for improvement.

The Council participates in benchmarking of performance against two other local authorities using the CIPFA "Nearest Neighbours" model. Of the 11 relevant performance indicators (covering council tax and business rate collection, processing of planning applications, waste and recycling, street and environmental cleanliness and short term staff sickness), the Council ranked first place in six cases, and ranked bottom place for 2 indicators. Overall, the data suggests that the Council's performance is relatively good.

Partnership working

The Council works with a range of local partners, including the outsourced leisure provider, Civil Contingencies Unit (CCU) / Staffordshire Resilience Forum (SRF), and Staffordshire County Council (SCC) and other partners involved in the Towns Fund programme.

Burton upon Trent Towns Fund programme

Officers of the Council have worked closely with the project sponsors during the process of developing and assessing each business case. The Council's Chief Executive and members of the Corporate & Commercial and Regeneration teams have attended meetings of the Town Deal Board to provide information and respond to queries from members of the Board. The membership includes representatives from key partners including SCC, local parish councils, business and community representation and voluntary groups.

Within the Council, progress and developments have been recorded via monthly updates from the Business Assurance Group (BAG) to the Corporate Management Team. In addition, reports have been made to Cabinet at key milestones in the project.

In May 2022, the Council appointed an Interim Head of Service for Regeneration, reflecting the importance of the regeneration ambitions of the Council.

Improving economy, efficiency and effectiveness

Outsourced leisure contract

The outsourcing of leisure provision to SLM, a private sector provider, dates back to 2018/19.

The Council and SLM have established a Partnership Board, which is used to monitor performance. The Council has a Leisure Service Contract Manager, who manages the contract via activities including site visits to facilities, meetings with SLM staff, desktop research and remote access to SLM systems. Monitoring activities take place monthly, and results and actions identified are shared with SLM for action where required.

During 2021/22, Internal Audit reviewed the contract management arrangements, and confirmed that there were strong controls in place to monitor the delivery of expected contract outcomes and effective measures were taken to manage the impact of the pandemic on leisure services.

Performance of the leisure services contract is reported quarterly to the CMT and A&VFM Scrutiny Committee. We have not been made aware of any performance or contractual issues arising during the year.

As in 2020/21, the Council agreed to provide financial support to SLM to help address deficits resulting from the closure and reduced use of leisure centres due to the Covid-19 pandemic. The amount of support was capped at the estimated annual deficit for 2021/22 of £472k, plus 5% contingency. The funds to cover this cost were planned to be allocated from Covid-19 contingency provisions and funding from the National Leisure Recovery Fund (NLRF), with recovery from SLM via a profit-sharing mechanism. However, as the financial performance of SLM improved significantly during the year, none of this funding was drawn down.

Outsourced grounds maintenance

A new grounds maintenance contract was agreed with ID Verde in November 2021. ID Verde have provided this service since 2006, but the current contract was let following a competitive tender exercise.

The performance of the contract is monitored by open spaces officers, a performance officer and the Service Manager. There are monthly discussions between the Council and the contractor, and quarterly performance meetings which are also attended by Council members.

In the five months between the commencement of the contract and 31 March 2022, the Council issued 20 default (failure) notices and 44 rectification (warning) notices.

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The terms of the contract allow the Council to apply financial sanctions in any month where over five default notices have been issued. The Council applied a grace period of three months from the start of the contract to allow the contractor to adjust to the new requirements, but financial sanctions have been applied in 2022/23.

The cumulative number of default notices over a rolling 12-month period is a key performance indicator under the contract, and this threshold was breached during 2022/23. An emergency performance meeting was held in June 2022 following serious concerns being identified in the performance of the contract in May 2022. Since then, the number of defaults has continued to increase and remains above the KPI threshold.

We have not identified any deficiencies in the arrangements the Council has put in place to manage the grounds maintenance contract.

Procurement

The Council has a Procurement Policy in place, which outlines principles of best practice, the procurement process for appropriate thresholds, and roles and responsibilities of the Programmes and Transformation Team, and service managers. The Policy was last updated in September 2020.

The Policy requires procurements deemed to be high value or high risk to include exploration of alternatives which could provide a more cost effective outcome. The Policy also requires consideration of other factors such as local economic factors, social value, ethical procurements and climate change and sustainability issues.

Our review of the documents relating to the procurement exercise and award of the grounds maintenance contract (contract value £12.1m over 5 years) in September 2021 did not identify any departures from the Procurement Policy or any indicators of an unfair procurement exercise. The procurement process included consideration of appropriate Lots and design of a Selection Questionnaire to identify appropriate bidders for the Invitation to Tender stage. Assessment of the bids was based on both price and quality.

Auditor judgement

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks relating to the economy, efficiency and effectiveness of use of resources.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
We recommend that the Council takes steps to address the depletion of its reserves over the medium term. The Council should develop specific savings and efficiency plans to mitigate the funding gaps forecast to arise over the medium term. A specific plan would allow progress to be monitored and increase accountability for delivery, and help to ensure that there is a real focus on realistic and achievable recurrent savings.	Improvement	December 2021	<p>The Council has continued its approach of identifying savings as part of the annual budget setting process, and does not have a specific savings or efficiency plan. Planned savings are not monitored separately from the overall revenue performance against budget.</p> <p>In the February 2023 MTFS, total reserves were forecast to fall from £26m at the end of 2021/22 to £12m by the end of 2025/26.</p>	No	The Council should consider whether a specific savings plan is required for the next update of the Medium Term Financial Strategy.
We recommend that the Council refreshes the reporting of risks to include clear articulation of the individual managers who are responsible for managing each risk. The risk registers could also be expanded to show the likelihood and impact of risks at the both an inherent and residual (after mitigating actions have been taken into account) level.	Improvement	December 2021	Risk reporting has not yet been updated, although a revised Risk Management Policy is in development which appears set to address our recommendations for improvements.	In progress	The Council could make further improvements to risk management and reporting – see improvement recommendation page 13.

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.

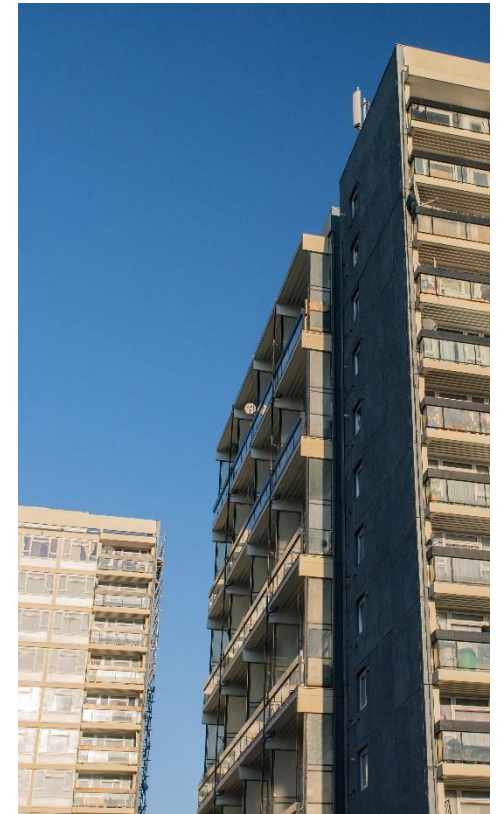
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Governance was identified as a potential significant weakness, in respect of risk management and reporting arrangements and arrangements for informed decision making.</p>	<p>Risk management and reporting</p> <ul style="list-style-type: none"> Review of risk registers tabled to Cabinet in 2021/22 Discussion with s151 Officer pertaining to planned changes in risk management and reporting arrangements Review of draft Risk Management Policy and pro forma risk register templates <p>Informed decision making</p> <ul style="list-style-type: none"> Interviews with Officers and Members of the Council involved in decision making and scrutiny of decisions Review of the LGA Corporate Peer Review and Follow Up reports Review of minutes and papers relevant to key decisions taken by the Council, such as the Towns Fund programme 	<p>Risk management and reporting</p> <p>Risk reporting has not yet been updated, although a revised Risk Management Policy is in development which appears set to address our recommendations for improvements.</p> <p>Informed decision making</p> <p>The Council has learnt lessons from the LGA Corporate Peer Review process, and through the process for decision-making around the Towns Fund programme, which should help to improve the quality of decision-making in the future.</p> <p>No inappropriate decisions were identified from our work.</p>	<p>The Council is still working towards improving some aspects of the governance arrangements, but we have not identified any significant weaknesses in the existing arrangements.</p> <p>However, we have included an improvement recommendation in respect of risk management and reporting – see page 13.</p>

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	n/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 13 to 15

Appendix D – Sources of evidence



Staff involved

- Andy O'Brien, Chief Executive
- John Teasdale, Monitoring Officer
- Sal Khan, Section 151 Officer
- Lisa Turner, Chief Accountant
- Thomas Deery, Interim Head of Service (Regeneration)
- James Abbot – Corporate and Commercial Manager
- Cllr George Allen – Leader of the Council
- Cllr Edward Barker – Chair of the Audit Committee
- Cllr Michael Fitzpatrick – Leader of the Opposition
- Cllr Russell Lock – Chair of the Value for Money Council Services Scrutiny Committee



Documents Reviewed

- Medium Term Financial Strategy and related papers
- Minutes and papers for the Council, Cabinet, Audit and Value for Money Scrutiny Committee, Standards Committee, Corporate Management Team and Town Deal Board
- Quarterly outturn reports – finance and risk; performance
- Corporate Peer Review and Follow Up
- Constitution
- Procurement Policy and contracts register
- Registers of interests and gifts and hospitality records
- Member briefings relating to the Towns Fund programme
- Risk Management Strategy (2014) and draft risk management policy
- Internal Audit reports



Meetings Observed

- Meetings of the Scrutiny Audit and Value for Money Council Services Committee during 2021/22
- Meetings of the Audit Committee from June 2022 onwards

