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Audit Committee

Additional papers

Agenda item no. 5 - Auditor's Annual Report on Wyre Forest District Council 2021-22 and 2022-23

**6pm
Wednesday, 20 March 2024
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster**



Auditor's Annual Report on Wyre Forest District Council

2021/22 and 2022/23

March 2024

Final

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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 recommendations

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. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because of slippage in completion of the 2021/22 work. 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.

Our findings for 2021/22 and 2022/23 identify one significant weaknesses. We consider that the Council does not have a robust performance management framework to support the delivery of corporate priorities and for management to be assured over the quality of services being provided.

We did also consider whether the Council had a significant weakness in Governance arrangements but have not made a key recommendation ; The Council has a significant capital programme, much of which is funded by central government grant, and these schemes present financial risks to the Council, and we consider that the risk and programme management arrangements around these schemes are not sufficient. However, we judged that as the implementation of the actual schemes was not significantly progressed during the years under review, and management has started to implement improvements including better reporting and programme management, that this would be treated as an improvement recommendation this year, but would likely to present a risk of significant weakness in the 2023/24 VFM risk assessment.

Criteria	Initial risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	No risks of significant weakness identified in our initial risk assessment	No significant weaknesses in arrangements identified, but two improvement recommendations made	No significant weakness in arrangements identified, but three improvement recommendations made	No significant weakness in arrangements identified, but three improvement recommendations made
Governance	No risks of significant weakness identified in our initial risk assessment	No significant weaknesses in arrangements identified, but three improvement recommendations made	Four improvement recommendations made	Four improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified in our initial risk assessment	No significant weaknesses in arrangements identified, but one improvement recommendation made	One significant weaknesses in arrangements identified, and one improvement recommendation made	One significant weaknesses in arrangements identified and one improvement recommendation made.



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.

Executive summary (continued)



Financial sustainability

The Council has a five-year Medium Term Financial Strategy (MTFS), of which three years are reported. The February 2023 MTFS has a funding gap of £1.7m by 2025/26. The plan includes a requirement to identify £1.3m in savings by 2025/26 from the Council's localism programme and to deliver £1.0m of Wyre Forest Forward Savings. The 2022/23 accounts indicate that the Council has £18.3m of general fund reserves, of which £13.2m are earmarked. The February 2023 MTFS assumes £1.5m of reserves to be used from 2023/24 financial year to the end of the strategy. Since the strategy was agreed there has been a change in administration and a review of the corporate priorities which will impact on the MTFS refresh in the Autumn 2023.

During the period covered by our review, the Council had two corporate priorities - a safe, clean, and green living environment and supporting a successful local economy. Both are significant budget areas in the MTFS. In 2021/22 the Council was awarded significant grant income. We note senior posts were removed as part of a senior management restructure in 2021/22. There has been significant slippage in the capital programme in both 2021/22 and 2022/23, as there has been in previous years. Capital activities relating to the Levelling up Fund are expected to fall within the funding envelope. Canal tow path works were delivered under budget.

We make three improvement recommendations on pages 11-13.



Governance

The Council has a significant capital programme agenda due to successful grant awards. The Council has obtained external support for these schemes, but the adequacy of the support has been variable, and we are particularly concerned with the effectiveness of programme management. We are also concerned that members are not sufficiently sighted on the Levelling Up and Future High Street (FHS) programmes on an ongoing basis.

In our 2020/21 Auditors Annual Report we identified the need to improve risk management - updating the strategy, putting in place member and officer training and reviewing the corporate risk register. We have seen progress, including a new risk management strategy agreed in March 2023, but in our view further improvements are required to risk management arrangements for them to be fully effective. We note the Council has asked Gallaghers to help it develop its risk management in 2023-24.

Internal audit lacked capacity during both 2021/22 and 2022/23, despite efforts made to fill staffing gaps. Only 46% of the audit plan was delivered in 2022/23. We recognise that this is being addressed during 2023/24 through the appointment of an external supplier which will provide much needed resilience.

We also consider that there is a need for the Council to extend the scope of work undertaken to detect and prevent fraud, in particular around the Council's contracts management.

We make four improvement recommendations on pages 18 to 21



2021/22

We completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 23 November. Our findings are set out in further detail on page 27.

2022/23

We completed our audit of your financial statements and issued an unqualified audit opinion on 29 September 2023, following the Audit Committee meeting on 27 September. Our findings are set out in further detail on page 27.



Executive summary (continued)



Improving economy, efficiency and effectiveness

In our 2020/21 Auditors Annual Report we recommended the Council reviewed its performance data to more clearly align with refreshed priorities. The Council has a 1-page corporate plan which is not underpinned by clear and measurable outcomes. This makes it difficult to drive effective performance management which requires there to be some clear links between corporate and service priorities and ultimately personal development plans. There is limited evidence that the Council uses performance data to drive improvement. We found no performance monitoring of key service providers or sub-contractors and no assessment of expected benefits from these contracts being shared with members.

Sufficient progress is not being made in relation to performance management, and we make a key recommendation on page 6.

We found that the Council's Procurement Strategy that applied in 2022/23 is dated 2017 and needed updating to reflect relevant changes over the last six years, including the Procurement Bill, Brexit, the National Procurement Policy Statement from June 2021 and the LGA national procurement framework from 2018 that was updated in 2022. We understand that a new procurement strategy applies for 2023-24. While the Council has an agreement for procurement support from West Mercia Police it would benefit from having a specialist trained officer to lead procurement and ensure regular training is provided to members and officers.

We make an improvement recommendation on page 24 for procurement and contract management.

Key recommendation



Improving economy, efficiency and effectiveness

Key recommendation The Council does not have effective performance and programme management arrangements. Without effective arrangements the council will be unable demonstrate to members and the public that it is on track to deliver council priorities, drive improvement in services and demonstrate high standards of its services.

The Council needs to invest in its performance management arrangements throughout the organisation as a means to focus resources on priorities and to drive improvements. Clearer Key Performance Indicators that relate to priorities and service standards, integrating performance, risk and finance reporting and using performance information to contract manage its key contracts such as leisure and waste services are all key elements of an effective performance management system and should be improved at the council.

Audit year	2021/22 and 2022/23
Why/impact	The Council needs to ensure it is delivering its corporate strategy and without a framework in place, underpinned by effective performance management and data it will not understand required improvements or have a golden thread to enable officers to understand how they contribute to corporate delivery or identify savings and achieve VFM.
Auditor judgement	The Council’s arrangements for performance and programme management are not adequate.
Summary findings	In our AAR 2020/21 we recommended the Council reviewed its performance data to more clearly align with refreshed priorities which is not addressed. The Council has a 1-page corporate plan which make it difficult to establish a golden thread for performance management. It has no performance outcomes and a lack of effective strategy and leadership for performance makes it hard to manage performance or embed a golden thread into service and personal development plans. It also makes it hard for residents to hold members to account with no annual performance report for the public. We found no performance monitoring of key service providers. In our AAR 2020/21 we said management should collate and analyse data around service complaints as a source of performance information to improve service quality. We found no progress on this recommendation.
Management comments	Management welcome the constructive appraisal of our arrangements that were scaled back as we responded to austerity some years ago. Significant progress has been made in 2023-24 in developing a performance and programme management culture within the Council with recruitment under way for a new Policy and Performance role in 2024-25. Following adoption of the 2023-2027 Council Plan, the performance management reporting framework has been redesigned with the introduction of clearer financial and service performance information and LG Inform data for WFDC compared against similar councils now being presented in quarterly performance management reporting. Individual Service Business Review Plans are being prepared and will be reviewed in April 2024, ensuring they provide clear links to delivery of the Corporate Plan. Further work is underway to clearly establish a golden thread to help officers understand how they contribute to corporate delivery of council priorities.


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.

Council’s 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 Councils arrangements in each of these three areas, is set out on pages 8 to 24.

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.

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

The Council has a rolling five-year Medium Term Financial Strategy (MTFS). Annual budget setting reflects the impact of key expenditure drivers, such as population changes, pay and other inflationary pressures.

For 2021/22, core spending increased by 3.5% and council tax on a Band D Property increased by 2.28%. Business rate income was forecast at £2.87m and an allocation of £0.243m from New Homes Bonus. The Council Tax base decreased by 165 to 33,780 following an increase in CTRS impacted by COVID-19 and living costs. In 2020/21 the MTFS was forecasting a budget gap of £2.7m by 2024/25 due to additional COVID-19 costs. This gap has now been revised and reflects new assumptions on inflationary pressures and wage growth and the February 2023 MTFS highlights a gap of £1.8m by 2025/26.

Income from fees and charges were impacted by the pandemic but are recovering. Car parking reduced from a net income of £534,660 in 2019/20 to £48,256 in 2020/21 but increased again by 2021/22 to £585,102. Most income was substantially recovered by the end of 2021/22 although not to expected levels due to inflation and cost of living pressures.

For 2022/23 core spending increased by 6.6% and council tax on a Band D Property increased by 2.23% to £229.34. Business rate income was forecast at £3.357m and an allocation of £0.464m from New Homes Bonus. The Council Tax Base increased by 440 to 34,220.

The 2022/23 outturn position was £12.4m supported by a £373,000 transfer from reserves. This increased the use of reserves from the £21,750 initially planned. Earmarked Reserves reduced from £15.366m to £13.244m in 2022-23 with a general fund balance of £5.1m at 31/03/23 (including the working balance of £1.65m). In both years, the Section 25 statements issued by the S151 Officer confirmed reserve levels were appropriate.

Total income achieved in 2022/23 was £8.128m, which is ahead of the pre-pandemic level of £7.391m in 2019/20.

How the body plans to bridge its funding gaps and Identifies achievable savings

The Council has for many years had large savings programmes, recognising the need to achieve a balanced budget and has achieved success in delivering savings in previous years. Since April 2013, the Wyre Forest Forward (WFF) Programme has achieved £3.772m in savings.

Over the period of review the Council has not fully achieved the savings planned from the programmes, but this has been offset in part by out-turn underspends, providing flexibility to contribute to risk reserves.

In 2021/22 the Council achieved £302,490 from the WFF Programme and £5,440 from localism, (37% of the target). In 2022/23 the WFF Programme was expected to achieve £794,150, but it achieved 78% of this. £125k was expected from localism savings achieving £78,770 (63%).

In 2021/22 and 2022/23 the Council identified its localism policy as reducing its size by enabling parish and town councils to take on services and council assets and this focus is driving £1.332m in savings by 2025/26. The related savings plans are likely to be revisited as part of the 2023 Autumn refresh of the MTFP, to reflect the priorities of the new administration.

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

The Council had two corporate priorities - a safe, clean, and green living environment and supporting a successful local economy. Both are significant resourcing priorities in the MTFS. While discretionary spending on economic development and growth is a strategic priority, the management review completed in December 2021 reduced internal capacity to deliver it, and arrangements were made to obtain external capacity where needed, such as to support delivery of the capital programme. Cabinet's proposals for the medium-term financial strategy in 2023/24 remain centred on making the Council smaller while protecting essential front-line services.

Financial sustainability (continued)

How the body ensures that 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

In our Auditors Annual Report (AAR) 2020/21 we identified the need for improved workforce planning, resilience, recruitment, and retention. The Council developed a new Workforce Strategy in the timescale agreed (September 2022) but the new strategy does not include SMART actions or cost details to enable the budget to align to the future workforce requirements. **We make an improvement recommendation to enhance the Workforce Strategy to enable the implications to be fully costed and understood over the medium to long-term (page 11).**

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities and agree Prudential Indicators. Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code.

The Capital Finance Requirement (CFR) increased from £40.319m in 2020/21 to £61.6m in 2023/24. Over this period, the minimum revenue provision (MRP) increased from £1.212m in 2021/22 to £1.366m in 2023/24. The cost of capital ratio increased significantly from 13.6 in 2020/21 to 20.4 in 2022/23, and is expected to be 28.25 by 2024/25. This ratio looks at the trend for cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream for the period of the MTFs.

The Council has identified, based on advice from Link, that it is possible that in future years it may not be able to comply with the Prudential Indicator relating to debt. The indicator is to ensure gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for that year and the following two financial years. Management is confident that it has complied with the indicator in the period of audit, and the risk of future non-compliance is referenced in the Council's treasury management strategy for transparency, but it is not thought that the risk will materialise.. **The Council should ensure it reviews its CFR to meet the prudential indicator relating to debt and satisfy itself that the current planned level of borrowing is sustainable. We make an improvement recommendation on page 12.**

In 2021/22 the Treasury Management Strategy was discussed monthly at the finance team treasury management meeting. During the COVID-19 pandemic treasury management meetings became daily to manage the Government grant flows. This daily cash flow meeting including treasury management continued post COVID-19. Regular training is provided to members on Treasury Management especially those on the Treasury Management Review Panel. The Council uses Link Asset Management advice to support decision-making.

Delivery of capital schemes

The two largest capital programmes are the £17.9m Levelling Up grant funded investment in Kidderminster and the £20.5m Future High Street (FHS) programme. Over the last three years the Council's total capital programme has slipped significantly which we raised as an improvement recommendation in our AAR for 2020/21.

In 2020, the Council secured £20.5m of FHS grant funding from the Government, with the Council adding £1.25m funded from borrowing towards the new build element of the refurbishment of the former Magistrates' Court building. The former Court will be redeveloped into a cultural and creative hub and provide a range of flexible work, performance and production areas and a co-working space. Following a value engineering exercise the new build element is no longer being delivered at the current time. The Council contribution of £1.25m will not be made unless this element of the scheme is delivered. An extension of time has been granted by DLUHC, the sums need to be contractually committed by 30 September 2024 and spent by 31 March 2025.

In 2021, the Council successfully secured £17.9m from the Government Levelling Up funding to invest in Kidderminster town centre, which needs to be defrayed by 31 March 2025. Of the three projects in the Programme, the tow paths project is complete, the Kidderminster Town Hall is being managed by project managers appointed by the Town Council, and the Piano Building is the Council's responsibility. In July 2023, the Programme Board was waiting to see if DLUHC agreed its proposal for a project variation for this building following loss of its private sector partner.

Capital outturn for 2022-23 shows the Council spent £0.790m on Levelling Up against a projected spend of £8.775m. It spent £0.567m on the FSHF creative hub budget against a projected spend of £3.095m and it spent £1.114m of its FSHF on public realm against an expected spend of £4.983m.

In July 2023, the Council borrowed a further £0.588m when an issue was identified during the refurbishment of the Magistrates Court. This will add a further 15 weeks of delay to the end date for this project. The Council also secured revenue support to make a three-year contribution to the revenue costs for the new hub from FSHF.

The progress on these two programmes has been delayed due to several factors including the COVID-19 pandemic and materials shortages during that time, project reengineering to reflect increasing costs and delays in agreeing variations to the project by Central Government.

We are concerned about the ability to deliver these schemes in the award timescales and within current financial envelopes. We are also concerned about the adequacy of the Council's programme governance, including formal reporting to elected members. These issues are considered further in the Governance section on page 18. We note that informal Cabinet and CLT did discuss these schemes, but these are not public meetings.

Financial sustainability (continued)

The Council needs to improve the way it manages the whole capital programme and ensure reporting is accurate and realistic, avoiding being overly positive. We consider capital reporting was more accurate from Q3 2022/23. Capital spend is now included in the Pentana performance and risk IT system which the Corporate Leadership Team (CLT) leads update monthly. CLT receive monthly updates on the capital programme and discuss reprofiling where appropriate and necessary. Capital activity is also discussed quarterly by Overview and Scrutiny Committee and by Cabinet.

We found no evidence of action being taken to address our 2020/21 improvement recommendation to review how the capital portfolio is delivering against wider economic regeneration objectives. It is important to capture and celebrate programme successes and learn lessons. **Our view is that capital reporting needs to be more detailed and integrated with performance enabling members to see the total impact of the programme. We include an improvement recommendation on page 13.**

How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Council risk management is limited as we discuss later in the report. A budget risk matrix is included in the financial reports, but the impact of not achieving savings and being overly reliant on reserves is not reflected in the Council's risk arrangements.


Earmarked reserve levels, excluding COVID-19 related balances, have increased in recent years.

	2021	2022	2023
Earmarked reserves	£8.4m	£18.2m	£14.9m
Balance after commitments*	£5.7m	£7.8m	£9.8m
General risk reserve	£0.5m	£0.9m	£1.8m


*uncommitted earmarked reserves.

These reserves are adequate but are reliant on the Council achieving its ambitious savings targets in the short-term. The Council also increased its minimum working balance from £1.5m in 2021/22 to £1.65m in 2022/23.


Improvement recommendation 1

	Financial sustainability	
	Improvement recommendation 1	Improve the Workforce Strategy to enable the implications to be fully costed and understood over the medium to long-term.
	Audit year	2021/22 and 2022/23
	Why/impact	Costing the workforce requirements over the medium to long term will enable finance to build assumptions into the MTFS and the recommended scenario planning.
	Auditor judgement	Developing a costed strategy will enable the Council to plan its future workforce requirements and build in medium-to long-term assumptions for budget planning.
	Summary findings	The AAR 2020/21 identified the need for improved workforce planning, resilience, recruitment, and retention. The Council developed a new strategy in the timescale agreed (September 2022) but the new strategy does not include SMART actions or details of cost to enable the budget to align to the future workforce requirements.
Management comments		Workforce requirements are fully costed in the medium-term financial strategy, including where there are known changes arising as a result of changes to regulations that impacts on council strategies or services. Further, there are inflation assumptions included across all years of the MTFS ensuring proper provision is made for future pay costs. The full financial implications of implementing the workforce strategy are not known until the actions linked to the plan have been completed. The work undertaken by the s151 in preparing the annual statement on the robustness of the estimates and the adequacy of reserves takes a risk-based approach and encompasses Corporate Risk 06: Organisational capacity to deliver - unable to maintain skilled, balanced and motivated workforce to ensure that the budget is aligned to future workforce requirements. Unfortunately, the Auditors were not able to expand on this recommendation or provide examples of best practice. We agree to examine the approach taken to organisational development elsewhere in the sector to see where we can develop our approach further.

Improvement recommendation 2

 Financial sustainability	Improvement recommendation 2	In view of the reported risk the Council should ensure it keeps its CFR under review ,considering it may not be able to meet the prudential indicator relating to debt and satisfy itself its current planned level of borrowing is sustainable.
	Audit year	2021/22 and 2022/23
	Why/impact	Capital spending is significant public money, and the Council needs to ensure it can pay back its borrowing.
	Auditor judgement	The Council needs to ensure it has adequate CFR to meet the prudential indicator relating to debt and that its planned borrowing is sustainable.
	Summary findings	The Council has highlighted that it may not be able to comply with the Prudential Indicator relating to debt, based on external advice, although management has indicated that this is reported for transparency, and does not consider that this is a major concern . The indicator is to ensure gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for that year and the following two financial years. This was caused by the change from net to gross debt in 2012. It impacts on fixed term maturity loans that are not reduced until they are repaid, and they would attract excessive premiums if repaid earlier.
	Management comments	The Council’s officers regularly review the CFR; it is updated bi-monthly and shared with the Cabinet Member for Finance and Capital Portfolio and formally refreshed and approved by the Treasury Management Review panel bi-annually, as required by regulations. The treasury management team follow best practice and adopt a laddered approach to borrowing that aligns annual maturities of debt to annual minimum revenue provision. This ensures that debt does not, except in the short term, exceed CFR and ensures that the Council can pay back its borrowing. The Council has maintained a consistent approach for both historic and current arrangements in managing this key indicator.

Improvement recommendation 3

	Financial sustainability	
	Improvement recommendation 3	Improve the governance arrangements for the Council’s capital programme, ensure its benefits are captured and reported to enable members to make informed decisions and ensuring the Council learns lessons from its arrangements. The reporting also needs to include outcome performance and reasons for programme slippages.
Audit year		2021/22 and 2022/23
Why/impact		Capital spending is significant public money, and the Council needs to ensure its using resources effectively to maximise benefit for its residents.
Auditor judgement		Capital reporting needs improvement to include expected and actual programme benefits, track outcomes of capital spend and understand reasons for delays to programme delivery. Elected members need to be able to hold officers to account and ensure VFM is achieved.
Summary findings		The Council needs to improve the way it manages the whole capital programme and reflect accurate reporting. We recognise capital reporting improved from quarter 3 2022/23 but we found no evidence addressing our improvement recommendation to review of how the capital portfolio is delivering against wider economic regeneration objectives. It is important to capture and celebrate programme successes and learn lessons. Capital reporting also needs to be more detailed and integrated with performance enabling members to see the total impact of the programme.
Management comments		Current Capital programme reporting has been enhanced to include expected programme benefits and key risks, in addition to tracking programme spend and providing a narrative update on programme delivery. Detail on progress for the major capital schemes has been included in the main body of the quarterly budget and performance monitoring report in addition to being presented in an Appendix. Reasons for slippage has been made more visible.

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.

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

Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

The Council has no separate risk management lead, as this is added to the responsibilities of the Section 151 Officer. The Council's insurers, Zurich Municipal, provide specialist advice on risk management so does Gallagher, an independent insurance and risk management expert.

In the AAR 2020/21 we identified the need to improve risk management - updating the strategy, putting in place member and officer training and reviewing the corporate risk register.

In 2021/22 and 2022/23 the Council had a risk policy statement and strategy from February 2008. It required Audit Committee and Cabinet to consider the corporate risk register and progress against risk action plans, but Cabinet did not receive a risk report in either 2021/22 or 2022/23.

The Audit Committee review the risk register annually and the risk plan twice yearly.

In March 2023, the Audit Committee agreed a new risk management strategy, but in our view it needs some further refinement to include clarity on risk appetite, an escalation process between the corporate, service and other risk registers, to add risk types and set risk tolerances for each.

Corporate risks and their scores are not integrated into report writing for committee papers, giving members no risk assurance or understanding of the risk impact on decision-making. Risk scores, mitigations and assurances are not present in performance reports.

The corporate risk register would be improved if it included risk scores before and after mitigation and a target risk score. It would also be improved with specific risk references, and a member lead as well as a single owner for each risk.

The budget risk matrix forms part of the risk management arrangements but is separate to the risk register. It is monitored regularly by CLT. It includes significant risks not on the corporate risk register including the risks around the capital programme and financial sustainability associated with not delivering the savings programmes, but it lacks sufficient risk detail on key financial areas or assurance or mitigation arrangements.

Risk owners are meant to update their risks quarterly in Pentana and service managers are meant to consider risk monthly. Currently this is done by policy officers.

Programme risk management on Levelling Up and FHS is provided by a third party to the Council and there is little assurance that risks are understood, managed or appropriately escalated to the corporate risk register.

Risk management would be strengthened with a more dedicated resource allocated to the role to support the S151 Officer.

We raise an improvement recommendation on page 20.

Governance (continued)

The Council had reduced internal audit capacity over the last two years, partly from long-term sickness and from being unable to recruit to roles, this represented an assurance risk in 2022/23 with only 46% of the programme agreed in March 2022 being delivered by year end. The Audit Committee was aware of these issues, and received quarterly updates on the position across both years.

The Council faced challenges during 2022/23 with temporary arrangements put in place to cover staff absences and turnover and by 2023/24 the Council had 0.81FTE to deliver internal audit rather than 2.4FTE. The Council has struggled to find a solution to this but in the Autumn of 2023, the Council has appointed an external supplier to provide internal audit. This will provide resilience of the internal audit service.

Although the Council faced slippage in the programme, the Chief Internal Auditor felt there was sufficient coverage to be able to express an opinion on internal control in both years (reasonable assurance), in order to inform the Annual Governance statement. The Council is due to obtain an external assessment on its internal audit during 2023/24.

The Council has some good practice arrangements in place to tackle fraud that could be extended. The fraud resource is shared between Internal Audit leading on the national matching programme, which was completed in January 2023, and cyber fraud and the compliance officers in the Revenues & Benefits Team who mitigate risk in Council Tax fraud. Internal Audit includes fraud risks when planning audit reviews. Audit Committee receives an annual update on the Counter Fraud Arrangements from the S151 Officer and Audit Manager. There is a Fraud Strategy in place, which was updated in 2022. The Fraud Response Plan, updated in 2022, outlines the process to follow when reporting and investigating allegations of potential fraud and there is regular staff communication on the subject.

However, work to date on fraud has not included procurement which is the second highest fraud volume area according to CIPFAs Fraud and Corruption Tracker (2020). Work to detect fraud also needs to extend to the Council's financial processes. We also identified that the work being done in relation to fraud through the Capital Programme delivery of the Levelling Up or FHS funds, as required by DLUHC, does not appear to be sufficient.

We make an improvement recommendation that the Council adopts the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks with the revised risk management approach also being recommended.

We found the Council's fraud arrangements are not sufficient and the lack of effective controls relating to member and officers risk corruption occurring in decision-making. We make an improvement recommendation on page 19.

How the body approaches and carries out its annual budget setting process

For both years, in common with other councils, the budget process started in the Autumn and is refined once the Government's local government settlement is agreed, typically in January or early February. The Council includes an annual budget consultation survey for residents in November each year. In 2021/22 the Council received around 1,000 responses, reducing to around 300 in 2022/23. Results are reported to Cabinet as part of the budget setting process. Elected members and staff also fed into the consultation.

The budget is scrutinised by three cross-party Strategic Review Panels and opposition parties also fed in alternative budget ideas to be debated. In 2021/22 the budget setting process did not formally include the wider leadership team but in 2022/23 the management forum of the top 50 managers has a workshop as part of the process. This process could be strengthened by using scenario planning in future years.

The impact of expected investment and borrowing activity is reflected in the annual budget for both years. The annual report to full Council on the three-year MTFS also seeks approval for the ten-year Capital Strategy including prudential indicators which set limits for non-financial investments and fulfils the key requirements of the DLUHC Investment Guidance. Impact of investments and borrowing are reflected in the MTFS and the budget book.

The finance team engages with budget holders to review financial performance and identify actions to resolve adverse variances and provides monthly reporting to portfolio members and budget holders. There is a monthly finance update to the CLT which includes capital. Updates are done through the Pentana system. The budget is also discussed regularly by the wider management forum of the top 50 managers in the Council.

How the body ensures effective processes and systems are in place to ensure budgetary control

The Council published its audited accounts for both 2021/22 and 2022/23 in line with the national timetable. No significant findings were identified from the work and audit opinions issued were unmodified.

Cabinet receives full budget updates quarterly and budgets are discussed with lead members monthly. The 2021 outturn was in line with Q3, however this was after unplanned allocations to earmarked reserves. The Council has now improved its budget profiling to reflect a more realistic position. However, formal budget reporting is relatively late - for example Q3 reporting for 2022/23 was presented to the Cabinet in March 23.

Governance (continued)

During both years, formal quarterly revenue reporting was detailed enough for members to engage with, but in our view the Capital programme was too summarised and did not provide monitoring over the longer-term or provide members with reasons for slippages from the previous period or assurance about delivery. The Council has taken steps to improve Capital reporting from Quarter 1 of 2023/24.

We found that service and workforce information is not integrated into financial reports.

Some performance data is provided at the end of the quarterly Cabinet reports, but this is very high level and narrative rather than numeric with targets and benchmarking and insufficiently integrated with service spend to enable members to challenge effectively. **We include this in our key recommendation on performance management on page 6.**

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

In 2021, the Council commissioned the Chief Executive to undertake a second management review having reduced one Corporate Director post in 2020. This review led to the deletion of three posts: Corporate Director Resources, Corporate Director Economic Prosperity and Place, Head of Service for Property and Asset Management.

The new management team came into effect from January 2022 via internal appointments, with individuals' existing posts not being back-filled. Responsibility for the Future High Streets and Levelling Up programmes transferred to the Head of the North Worcestershire Economic Partnership from the Corporate Director Economic Prosperity and Place.

Responsibility for the Council's Capital Portfolio Fund and the Council's commercial agenda also transferred to the Head of the North Worcestershire Economic Partnership from the Head of Service for Property and Asset Management post. These changes were in addition to the post holder's existing responsibilities across the wider partnership including the delivery of significant grant funded programmes for Bromsgrove District and Redditch Borough Councils.

FHS and Levelling up Programmes

The FHS and Levelling Up programmes both have a Programme Delivery Board with attendance by senior Council officers but there is no formal reporting from these Programme boards into Cabinet or to Overview and Scrutiny. Detail was within the quarterly budget reporting. In quarter 3 of 2023/24, a specific section was incorporated into the quarterly financial reporting with narrative reporting including risks. This is partly driven by the progress of the scheme and more substantive matters to report.

Given the financial responsibility for these two programmes sits with the Council and the risk that the programmes will not be delivered to time and budget we would expect to see programme reporting on them to the Council's Cabinet. We note that there is monthly reporting to informal Cabinet and CLT meetings, but these are not held in public.

The Council includes high level risks for both programmes on its strategic risk register. However, we are concerned that the reporting to the programme boards is not adequate. Minutes and agendas of these meetings indicate project-based reporting not programme management reporting. The risk register for the Levelling Up Programme is a signed DLUHC template with no programme- and project-specific risks. Risk reporting into the Programme Board by the external consultants does not include budget or timescale risks such as a failure to meet the defrayment deadlines. Risks are RAG rated but we note that the risk around delivery was rated 'green' on a log provided to us, when there is significant slippage on the programme.

For the overall programme reporting we should expect to see programme objectives and planned benefits, success metrics, programme level risk management, budget, milestones, stakeholder mapping, programme deliverables and a communications plan that includes communication with elected members. Project reports should consider project variance analysis, and a project risk register with escalation to the programme risk register. These should also include budget, milestones and timeline, status update, project deliverables with progress reporting to the programme manager who should report the programme to the Board.

We note in 2023-24 there is weekly contact with DLUHC given the delays. DLUHC did a deep dive review into governance arrangements and their reporting templates drives project level reporting. We note the Council is working with Arcadis to improve its programme and project management in 2023-24.

Governance (continued)

While external programme and project managers were appointed in 2021 to increase capacity for the FHS Programme these external arrangements do not appear to have been effective, with no programme management reporting in either of the 2021/22 or the 2022/23 years. Risks are poorly defined and project reporting documentation is not regularly updated. The FHS project reports show poor management arrangements and no effective risk management. The RAG ratings in these reports do not align with delivery, and there is no budget or grant funding risk identified.

The North Worcestershire Economic Development Partnership also had two programme managers, one of whom left in July 2023.

It is critical that quarterly finance reports (and any ad-hoc reports necessary) to Cabinet include appropriate commentary on these schemes. The Council remains responsible for the governance of these projects under the grant award conditions and should be fully sighted on any financial risk transfer to the Council. **We identified a significant weakness to the Council's arrangements for capital programme governance in 2022-23. We do not make a key recommendation because new evidence provided by the Council in March 2024 demonstrates it was reporting informally to Cabinet in 2022-23 and the capital outturn shows the spend was relatively low compared to the level anticipated. We can also see the Council has taken steps to improve its arrangements for 2023-24. We make an improvement recommendation to further enhance its arrangements on page 18.**

Service and workforce information is not sufficiently integrated into financial reports. Some performance data is provided at the end of the existing quarterly Cabinet reports, but this is very high level and narrative rather than numeric reporting with targets and benchmarking. We also consider that it is insufficiently integrated with service spend to enable members to challenge effectively. **We include the need to integrate finance, risk and performance reporting in our key recommendation on performance management on page 6.**

Capital reporting to members is also very high level with no performance and no reasons for slippages in the programme identified. We make an improvement recommendation to improve capital reporting on page 18.



Improvement recommendation 4



Governance

Improvement recommendation 4

The Council should improve its capital programme governance, especially in relation to the two most significant programmes - Levelling Up and Future High Street Fund. Without this, the Council is at risk of losing grant funding, or alternatively exposing the Council to financial risks where the project costs exceeded budget.

We recommend that programme management is strengthened, and that the Council ensures that risk management arrangements are in place with risks, mitigations and assurances reported regularly to programme boards. We also recommend that regular (monthly) updates on these significant capital projects are provided to Cabinet.

Audit year 2021/22 and 2022/23

Why/impact The Council is responsible for two very significant government grant funded programmes: a £20.5m of Future High Streets programme and a £17.9m Levelling Up funding programme. The schemes are now being supported by Council reserves and borrowing (approved by Council) which was not originally envisaged. It is vital that members have proper arrangements in place to meet their governance responsibilities over these schemes on an ongoing basis as these schemes present continuing financial risks to the Council and we do not consider that reporting during 2022/23 or formal member involvement is sufficient.

Auditor judgement Capital programme governance requires improvement.

Summary findings We find that elected members are not sufficiently sighted on these two significant programmes that the Council is responsible for delivering. We also identify a lack of effective programme reporting to either the levelling up or Future high street Boards. Risk reporting is also not sufficiently developed in relation to these schemes. The detailed report provides further information on what we expect to see within programme management.

Capital programme reporting at an overall level remains unclear as it continues to reflect capital programme approvals for each year rather than realistically profiling capital spend in each financial year.

Management comments Management welcome the review and appraisal of arrangements and appreciate that the additional evidence of member involvement and political oversight and the changes that have taken effect in 2023-24 have been acknowledged in the report. The Council does not accept this is an area of significant weakness, however further steps to improve capital programme governance and risk management of our significant schemes are being examined.

Improvement recommendation 5



Governance

Improvement recommendation 5

The Council needs to improve its identification and risk of fraud by:

- extending its work to cover procurement and financial processes.
- adopting CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks with the revised risk management approach also being recommended.
- introducing monitoring for officer and member declarations of interest and gifts and hospitality to reduce the risk of poor procurement and commissioning practices that could result in fraud.

Audit year	2021/22 and 2022/23
Why/impact	CIPFA identifies that procurement fraud is the second highest fraud volume area but the lack some internal controls in the Council mean fraud may be undetected.
Auditor judgement	The Council’s fraud arrangements are not sufficient and the lack of effective controls relating to member and officers risk corruption occurring in decision-making.
Summary findings	The Council needs to address the risk of fraud by extending the anti-fraud plan to include finance and procurement and identify SMART targets, dates and risks to non-delivery. It should adopt the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks with the revised risk management approach also being recommended. It needs to actively monitor officer and member declarations and gifts and hospitality to ensure no irregularities occur.
Management comments	<p><i>Fraud risk and anticorruption risk is covered in all reviews of financial systems undertaken. Procurement risk is recognised, and controls are in place to address the risk when evaluating tenders for contracts prior to selection/award. Both officers and members have clear codes of conduct that explicitly cover the risk of fraud. Officer and member declarations are monitored, and Members are asked to declare interests as standard at the start of each decision-making meeting. Unfortunately, the Auditors were not able to expand on this recommendation or explain where additional controls could improve arrangements.</i></p> <p><i>The Internal Audit plan 2023-24 on Governance and ethics has made some improvement recommendations and these will be implemented in full. The CIPFA 2014 Code of Practice on managing the risk of fraud will be recommended to Audit Committee for adoption.</i></p> <p><i>Fraud risk is considered annually for inclusion in the Corporate risk register and the concerns raised in this report will help inform the decision of whether to include in the register for 2024-25 as part of the April 2024 review.</i></p>

Improvement recommendation 6



Governance

Improvement recommendation 6

The Council needs to make more effective use of its risk register as a tool for both management and senior members. The strategic risk register should be focussed on key risks to the organisation and its delivery of priorities. For each risk, the register should clearly set out the risk score, mitigations, and a target risk score – reflecting the significance of the risk to the organisation. There should be clear narrative on what will be done to reduce the risk with actions that are time bound.

Audit year	2021/22 and 2022/23
Why/impact	Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.
Auditor judgement	Risk management is a significant weakness and requires improvement.
Summary findings	In our 2020/21 Auditors Annual Report we identified the need to improve risk management - updating the strategy, putting in place member and officer training and reviewing the corporate risk register. In 2021/22 and 2022/23 the Council had a risk policy statement and strategy from February 2008. This strategy requires risk reporting to the Cabinet, but it did not receive a risk report in either 2021/22 or 2022/23. The Audit Committee did receive updates on the high risks facing the Council but with no commentary about the reasons for change in score from the last period and with no sources of assurance for the risk mitigation measures. In March 2023, the Audit Committee agreed a new risk management strategy, but it needs improvement to include an escalation process, the requirement for service risk registers, risk types and risk tolerances. The Council lacks a dedicated lead for risk management. Risks are not mapped to corporate objectives. Programme risk registers also lack sufficient detail
Management comments	<p>Following the previous improvement recommendation, we updated the Risk Management Strategy in March 2023 before the Corporate Risk Register was reviewed for 2023-24, put in place member training and ensured that risks were mapped to corporate objectives.</p> <p>We accept that our arrangements could be improved by including a target risk score, by improving the narrative on what additional steps are being implemented to bring the risk in-line with the target risk score, outlining our assurance measures and introducing KPIs.</p> <p>We have a clear escalation process but accept that the Strategy could be improved by better describing the process and more clearly identifying the responsibility for service risk registers and for all risks to be scored in line with the same criteria. The 2024 update to the Strategy also introduces the requirement for a Corporate Risk Appetite Statement. The updated Risk Management Strategy is being considered by Audit Committee in March 2024.</p>

Improvement recommendation 7



Governance

Improvement recommendation 7	The Council must ensure that it has adequate internal audit capacity to effectively deliver a risk based annual audit plan
Audit year	2021/22 and 2022/23
Why/impact	Council’s the size of Wyre Forest should have an effective Internal Audit Service in order to provide assurance that there is effective governance, internal controls and fraud and corruption arrangements.
Auditor judgement	The Council did not have a fully resourced internal audit team for 2021/22 and 2022/23.
Summary findings	The Council struggled to retain and recruit internal audit staff during the 2 financial years. Management put in place some interim arrangements which meant that the Chief Internal Auditor was able to issue her opinion for both financial years, although less than half of the planned input was achieved in 2022/23.
Management comments	The Council ensured that it had adequate internal audit capacity during both 2021-22 and 2022-23 through interim arrangements. This was achieved by engaging a retired ex-employee and by seconding the CIPFA trainees to the Internal Audit team. In both years the Chief Internal Auditor was able to issue her opinion. The Council has commissioned Internal Audit Services from BDO, with effect from 1 November 2023, via the CCS framework to ensure that it has adequate internal audit capacity to effectively deliver a risk based annual audit plan prior to conclusion of the VFM review.

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.

How financial and performance information has been used to assess performance to identify areas for improvement

In our AAR 2020/21 we recommended the Council reviewed its performance data to more clearly align with refreshed priorities. This was not addressed, and we found performance management arrangements were weak across both years of this VfM review, with no evidence that the Council uses performance data to drive improvement. Performance reporting to elected members is inconsistent and does not demonstrate trends, benchmarking, performance metrics or quantitative measures.

The Council has a one-page corporate plan which lacks sufficient detail such as performance outcomes and measures. This makes it difficult to embed a golden thread into service and personal development plans and drive effective performance management across the Council. It also makes it hard for residents to hold members to account with no annual performance report for the public. We note a new corporate plan was launched in September 2023.

We recommended in our AAR 2020/21 that integrated performance and finance reporting should be introduced. The Council has started this journey but has further to go. The Council has invested in Pentana as a tool for performance reporting and has started to embed some performance into financial reports for Cabinet. However, performance reports show different metrics by quarter and there are no targets, benchmarking or expected performance shown and no RAG rating. This is insufficient to monitor the performance of key services.

The Council uses LG Inform annually and more regular benchmarking should form one element of the performance management approach. Performance management is reviewed by the CLT informal Cabinet meeting quarterly.

Data quality is also essential to effective decision-making. While the Council has a data quality statement, updated in February 2022, it does not reference data standards, data governance, data management, or data quality principles.

We consider that the lack of a dedicated performance lead makes it difficult to establish an effective performance framework.

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

A lack of performance management arrangements during 2022/23 could mean that the Council was reactive to challenges rather than proactively forward planning or anticipating issues before they emerged, and the Council was not able to use performance data to drive improvement or achieve value for money. Without integrated reporting the Council risks not focusing spend on priorities to deliver improvement.

It is recommended by the Local Government Association (LGA) that councils have a Corporate Peer Challenge every five years which makes recommendations for improvement. The Council had their last review in 2017 and having their next Corporate Peer Challenge would help them to identify and plan improvements and test their arrangements. We note this is now planned for May 2024.

In our AAR 2020/21 we said management should collate and analyse data around service complaints as a source of performance information to improve service quality. We note this was reviewed in November 2023.

To improve the effectiveness of the Council's performance management arrangements the Council should:

- Reset the corporate plan and have expected performance outcomes for each of its priorities.
- establish a 'golden thread' throughout the Council for performance management by creating a performance management framework at Council and service level linking performance outcomes and annual measures to track success.

Improving economy, efficiency and effectiveness (continued)

- ensure performance reporting includes targets, RAG rating, and actual measures and benchmarking using previous year and nearest neighbours where possible. integrating performance, risk and finance reporting to drive improvement.
- Monitor the performance impact of the saving programme.
- improve data quality by agreeing corporate data standards, having effective data governance, data management, and data quality principles in place.
- ensure that performance, finance and risk reporting is integrated for elected members.
- Build capacity for performance and programme management and training officers and members as appropriate.
- Agree corporate programme and project management methodology and ensuring its understood and applied across the Council and when commissioning these services
- use performance information to contract manage its key contracts such as leisure and waste services and reporting these to members.
- collating and analysing service complaints data to improve service quality.

Overall, we conclude that the Council's performance management is a significant weakness and make a key recommendation on page 6.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified

The Council is taking action to reduce cost by becoming a smaller, leaner organisation. As already noted, through its localism agenda it has worked with parish and town councils to enable them to deliver some services more locally and transfer assets and liabilities to those councils. A change in administration in May 2023 is likely to lead to new council priorities and the Council should use performance information and unit cost benchmarking with its nearest neighbours to help it identify new areas of potential monetary savings.

The Council should share its performance information with its partners to discuss common challenges and design improvements to address them. We found no performance monitoring of key service providers or sub-contractors and no assessment of expected benefits from these contracts being shared with members.

The Council should use performance information to manage its key contracts and we include this in our key recommendation on page 6.

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

We found a lack of effective procurement arrangements across both the 2021/22 and 2022/23 years. The Council's Procurement Strategy was dated 2017 and needed updating to reflect the Council's current priorities, to consider the implications from the Procurement Bill, and reflect the changes since the UK left the EU. The Council should be conforming to the National Procurement Policy Statement, June 2021 and needs to consider the LGA national procurement framework from 2018, updated in 2022. The Strategy also needs to reference the Council's contracts standing orders and how it meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation. An updated strategy would also help the Council to better hold its contractors to account. We note the Council updated its Procurement Strategy in 2023-24.

The Council has an up-to-date contract register available on Proactis which is well used for corporate spending, but it lacks housing, environmental and service spend. It has a monthly updated list of expenditure over £500 which shows evidence of spend across services to the same contractor with different annual contracts. This indicates that some services are not considering the whole life of the contract as part of the initial procurement exercise. The Council needs to introduce effective monitoring for compliance and to ensure it achieves VfM when buying goods and services.

During 2021 there was an internal review of the Unity Park contract. The Council had not undertaken financial due diligence on the building company prior to awarding the contract. Subsequent material cost increases meant the contractor could not deliver the work and it went into voluntary liquidation. The Council has learnt lessons introducing financial due diligence into its procurement processes in 2022/23 and we are satisfied these arrangements are in place.

The Council has an agreement from West Mercia Police for procurement support on its large contracts and it gets mentoring for the new Council procurement officer. This arrangement started in 2021. The Council needs to ensure it has an intelligent client function for procurement and contract management which is providing regular training to members and officers.

We make an improvement recommendation concerning procurement and contract management on page 24

Improvement recommendation 8



Improving economy, efficiency and effectiveness

Improvement recommendation 8

	<p>The Council needs to improve its procurement and contract management arrangement by;</p> <ul style="list-style-type: none">• updating its procurement strategy• ensuring the contracts register is monitored, kept up to date and used by all services• ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation• Having a suitably trained client lead for procurement and contract management• Provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and VFM.
Audit year	2021/22 and 2022/23
Why/impact	The Council has an important responsibility to ensure that procurement and contract management arrangements maximise the use of public finances, that value for money is achieved, and procurement delivers strategic priorities.
Auditor judgement	The Council’s arrangements for procurement and contract management are not adequate.
Summary findings	<p>The Council’s Procurement Strategy is dated 2017 it needs updating to consider changes over the last six years including the Procurement Bill, Brexit, the National Procurement Policy Statement, June 2021 and the LGA national procurement framework from 2018 that was updated in 2022. The Council’s contracts register lacks housing, environmental and service spend and the monthly expenditure over £500 shows spend to the same contractor which are not part of a contract on the contracts register. While the Council has an agreement for procurement support from West Mercia Police it would benefit from having a specialist trained officer to lead procurement and ensure regular training is provided to members and officers.</p>
Management comments	<p><i>The procurement strategy was last updated in July 2023, the contracts register is monitored, kept up to date and includes all services. Our in-house procurement officer holds a level 5 procurement qualification and we have commissioned additional support provided by West Mercia Police through a practitioner holding a level 7 qualification since 2021 when our previous longstanding (experienced) procurement officer left.</i></p> <p><i>We accept that further training for both members and officers would develop a greater understanding of individual responsibilities and that some further work is required to make sure the multiple orders for goods or services from the same supplier are brought under a single contract wherever possible to ensure best value is being achieved.</i></p>

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should undertake a review of how the capital portfolio assets are delivering against wider economic regeneration objectives set when the assets were purchased to have a rounded understanding of the ongoing contribution of the assets to the Council and the success of the programme.	Improvement (Financial Sustainability)	May 2022	CLT and Cabinet met to discuss in May 2022.	No	The review is outstanding.
2 The Council should develop a workforce plan that is consistent with and underpins the Council's corporate priorities and supports the Medium-Term Financial Strategy.	Improvement (Financial Sustainability)	May 2022	A new workforce plan was published in September 2022	Partly	The Strategy needs to include cost detail to ensure the financial plans can align. It also needs to include SMART actions with agreed timescales for delivery.
3 The Council should review the risk management process within the Council. This should include: <ul style="list-style-type: none"> An update to the risk management strategy Member and officer training on risk management Review of the corporate risk register, in particular focussing on the key risks associated with the strategic priorities. 	Improvement (Governance)	May 2022	A revised risk management strategy was agreed by the Audit Committee in March 2023.	Partly	Risk management needs further improvement, particularly in relation to the corporate risk register and consideration of service risk.
4 Management should collate and analyse data around service complaints as a source of performance information, both in terms of how management deal with complaints about the Council but also as a source of information on the quality of services.	Improvement (Governance)	May 2022	No progress	No	This is part of the key recommendation on performance management on page 6.
5 Management should continue to improve the budget monitoring arrangements, focussing on: <ul style="list-style-type: none"> Timely reporting of the quarterly revenue budget. Realistic forecasting of the capital programme Developing integrated financial and performance reports 	Improvement (Governance)	May 2022	New approach to capital programming in place. Some performance data added into finance reports.	Partly	We make a key recommendation on performance on page 6.
6 In view of the refresh of corporate priorities in 2021, it would be appropriate to undertake a review of the performance data being collated and rationalise these to more clearly align with refreshed priorities.	Improvement (Improving economy, efficiency and effectiveness)	May 2022	No progress	No	This needs delivering as part of the performance management framework being recommended on page 6.

Opinions on the financial statements



Audit opinion on the financial statements

We gave unqualified opinions on the Council's financial statements on 30 November 2022 and 29 September 2023.

Audit Findings Report

More detailed findings can be found in our Audit Findings Reports, which were published and reported to the Council's Audit Committee on 23 November 2022 and 27 September 2023 respectively.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council.

We are not required to undertake detailed work at the council as the expenditure is below the de minimus for further work.

Preparation of the accounts

The Council provided draft accounts in line with the national deadlines and provided a good set of working papers to support each set of financial statements.

Issues arising from the accounts:

There were no significant matters arising from the audits.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



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 District Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the [type of body] 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’.	Yes	Pages 6
Improvement	These recommendations, if implemented should improve the arrangements in place at in the Council but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 11-13, 18-21 and 24.

Appendix C Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not issue any statutory recommendations.	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 a public interest report.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply to the Court under Section 28.	We did not apply to the Court under Section 28.
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: <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. 	We not issue any advisory notices.	We not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for a judicial review.	We did not apply for a judicial review.

