



# Audit and Governance Committee

A meeting of the Audit and Governance Committee will be held at the The Jeffrey Room - The Guildhall, Northampton, NN1 1DE on Wednesday 14 June 2023 at 6.00 pm

## Agenda

1.	<b>Apologies for Absence and Notification of Substitute Members</b>
2.	<b>Declarations of Interest</b> Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	<b>Minutes</b> (Pages 5 - 10) To confirm the Minutes of the meeting of the Committee held on 1 <sup>st</sup> March 2023.
4.	<b>Chair's Announcements</b> To receive communications from the Chair.
5.	<b>Urgent Business</b> The Chair to advise whether they have agreed to any items of urgent business being admitted to the agenda.
6.	<b>Local Government Ombudsman report</b> (Pages 11 - 30) Report of the Assistant Director of Customer and Corporate Services
7.	<b>Information Governance Report</b> (Pages 31 - 38)
8.	<b>Update on Governance</b>

	Update from the Deputy Director Law and Governance
<b>9.</b>	<b>Internal Audit Plan 2023-24</b> (Pages 39 - 54) Report by the Chief Internal Auditor
<b>10.</b>	<b>Internal Audit Progress report</b> (Pages 55 - 58) Report by the Chief Internal Auditor
<b>11.</b>	<b>Audit and Governance Committee Annual report 2022-23</b> (Pages 59 - 74)
<b>12.</b>	<b>Annual Audit Report (WNC) 2021-22 (Grant Thornton)</b> (Pages 75 - 128) Update by the External Auditor
<b>13.</b>	<b>External Audit Progress report (Grant Thornton)</b> (Pages 129 - 148) Update by the External Auditor
<b>14.</b>	<b>External Audit Progress Report (Ernst Young)</b> Update by the External Auditor
<b>15.</b>	<b>Update on Budget Setting and Revenue and Capital Medium term Capital Programme</b> Verbal update
<b>16.</b>	<b>Review of Committee Work Programme</b> (Pages 149 - 152) To review and note the Committee Work Programme.
<b>17.</b>	<p><b>Exclusion of the Press and Public</b></p> <p>The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.</p> <p>Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information). connection with the prevention, investigation or prosecution of crime.</p> <p>Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.</p>

Should Members decide not to make a decision in public, they are recommended to resolve as follows:

“That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

**18. Exempt Appendices to Internal Audit Update report (Pages 153 - 156)**

Catherine Whitehead  
Proper Officer  
6 June 2023

**Audit and Governance Committee Members:**

Councillor Cecile Irving-Swift (Chair)	Councillor Charles Manners (Vice-Chair)
Councillor Jamal Alwahabi	Councillor Alan Chantler
Councillor Stephen Clarke	Councillor Keith Holland-Delamere
Councillor Mark Hughes	Councillor Rosie Humphreys
Councillor Sam Rumens	

**Information about this Agenda**

**Apologies for Absence**

Apologies for absence and the appointment of substitute Members should be notified to [democraticservices@westnorthants.gov.uk](mailto:democraticservices@westnorthants.gov.uk) prior to the start of the meeting.

**Declarations of Interest**

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

**Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates**

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

**Evacuation Procedure**

If a continuous fire alarm sounds you must evacuate the building via the nearest available  
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fire exit. Members and visitors should proceed to the assembly area as directed by Democratic Services staff and await further instructions.

### **Access to Meetings**

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

### **Mobile Phones**

Please ensure that any device is switched to silent operation or switched off.

### **Queries Regarding this Agenda**

If you have any queries about this agenda please contact Sofia Neal-Gonzalez, Democratic Services via the following:

Tel: 01327 302236

Email: [democraticservices@westnorthants.gov.uk](mailto:democraticservices@westnorthants.gov.uk)

Or by writing to:

West Northamptonshire Council  
One Angel Square  
Angel Street  
Northampton  
NN1 1ED



### **Audit and Governance Committee**

Minutes of a meeting of the Audit and Governance Committee held at Jeffrey Room, The Guildhall, Northampton on Wednesday 1 March 2023 at 6.00 pm.

#### **Present:**

Councillor Cecile Irving-Swift (Chair)  
Councillor Jamal Alwahabi  
Councillor John Shephard  
Councillor Stephen Clarke  
Councillor Danielle Stone  
Councillor Alan Chantler

#### **Substitute Members:**

Councillor Phil Bignell (for Councillor Manners)  
Councillor Sally Beardsworth (for Councillor Humphreys)

#### **Also Present:**

Mark Rutter, Ernst & Young (EY) - Remote  
Ciaran McLaughlin, Grant Thornton (GT) - Remote

#### **Apologies for Absence:**

Councillor Charles Manners  
Councillor Rosie Humphreys  
Councillor Jake Roberts

#### **Officers:**

Audra Statham, Assistant Director Finance  
Jen Morris, Head of Audit and Risk  
Sarah Hall, Deputy Director of Law and Governance  
Scott Peasland, Audit Manager  
Marina Watkins, Democratic Services

#### 111. **Declarations of Interest**

None advised.

#### 112. **Minutes**

It was noted that the following additional attendees should be included in the Minutes:  
James Edmunds, Assistant Manager Democratic Services  
Marina Watkins, Democratic Services

#### **RESOLVED:**

That subject to the amendment above, the Minutes of the Audit and Governance Committee held on 25<sup>th</sup> January 2023 be approved and signed as a correct record.

113. **Chair's Announcements**

The Chair welcomed Audra Statham, Assistant Director Finance to the meeting as Martin Henry, the Director of Finance was on leave. Discussions were on going with regards to the committee dates for 2023/24 to ensure they were appropriate to the finance timetable.

The Chair welcomed Sarah Hall, Deputy Director of Law and Governance and Deputy Monitoring Officer, who would routinely attend meetings of the Committee in order to present governance reports. With regards to RIPA, there had been no applications made since the last meeting. The training of officers had now concluded, and the intention was to develop an in house training programme. A social media policy was being developed, as well as a non-RIPA form which would cover items not covered under RIPA regulations. Governance reports would be timetabled and included in the next Committee's work programme.

In response to a question, the Deputy Monitoring Officer advised that legislation did not currently allow Councillors to attend meetings remotely and vote. The legislative changes brought in during Covid had not been continued, and therefore Councillors had to physically be present at the meeting. The intention was to improve the ability to broadcast meetings which would assist if the Government were to make changes in the future.

114. **Internal Audit Progress report**

The Head of Audit and Risk outlined the report and advised that the team were making good progress. A number of audits that had been contracted out due to resource issues had now been completed, and were currently being reviewed with a view to updating the Committee at a future meeting. Where limited assurance audits had been identified, there would be a more proactive approach to managing actions which would include meetings with the teams involved.

In response to questions, the Head of Audit and Risk advised that some of the problems identified in limited assurance areas were due to resource issues, but also due to the services changing and evolving along with the Council's move to unitary status. Some repetition of work was inevitable due to the time lapsed and to ensure information was up to date.

The Chair thanked the audit team for their on-going work.

The recommendations submitted in the report were agreed.

**RESOLVED:**

The Audit and Governance Committee endorse the position with regards to the Internal Progress report.

**115. External Audit Progress report - Grant Thornton**

Ciaran McLaughlin of Grant Thornton updated the Committee on the progress of the external audit.

Due to the short amount of time between Committee meetings there was little to report. The intention was to present the audit plan to the next meeting for sign-off. Work was progressing well.

The Assistant Director of Finance advised that EY were still finishing work relating to the former Borough and County Councils, which would then enable completion of WNCs first year of accounts. The working relationship with Grant Thornton was encouraging.

Ciaran McLaughlin advised that it was difficult working on accounts when some information was not yet available from the former authorities. However work could take place on discreet areas such as the HRA (Housing Revenue Account) where all required information was available.

**RESOLVED:**

The Committee noted the verbal update.

**116. External Audit Progress report - EY**

Mark Rutter of EY updated the Committee on the progress of the external audit. NBC accounts were in a good position and close to the end of the process. Information regarding the NCC accounts had now largely been provided and additional information had only just been received from NNC.

The Assistant Director Finance advised that the closure of the NCC accounts was problematic due to the reliance on authorities outside of WNC, such as NNC and the Children's Trust, which is independently audited and on a different time line to Local Authorities.

The Audit and Governance Committee had a responsibility for the Statement of Accounts as a matter of fact but not reasons why finances were as they were. When WNC was formed, the NCC accounts for 2018/19, 2019/20 and 2020/21 were still outstanding. WNC had worked hard to rectify this situation.

Mark Rutter of EY thanked Audra Statham and the Finance team for their support.

**RESOLVED:**

The Committee noted the verbal update.

117. **Budget setting update**

The Assistant Director Finance advised that the budget had now been approved.

**RESOLVED:**

That the Committee noted the verbal update on budget setting.

118. **Risk progress update**

The Head of Audit and Risk updated the committee and advised that there had been minimal changes since the last meeting. The intention was to split operational risks from strategic risks. The intended approach had been discussed with the Executive Leadership Team who had been supportive. The aim was to develop a robust process to manage strategic risk, which would enable a more focussed and expedited approach. This would enable a better audit trail of risks and should any risks escalate or de-escalate over time they could be reported to Committee.

Councillors pointed out that the cost of living increases could reduce people's ability to pay council tax, make staff recruitment more difficult, and lead to further deprivation. The Head of Audit and Risk advised that such issues illustrated why there was a need to separate operational and strategic issues. Fewer people paying council tax was a risk but not a strategic risk, as the Medium Term Financial Plan (MTFP) estimated different collection rates. It was possible for some risks to be operational but to become strategic over time and impact on the Council.

The Assistant Director Finance added that the Section 151 Officer had to produce a Section 25 report giving assurances of the robustness of estimates in the budget and set out the issues considered as part of the budget process.

The recommendations submitted in the report were agreed.

**RESOLVED:**

That the Committee:

- i) Considers the Strategic Risk (update summary provided at Appendix 1 to the report).
- ii) Consider and endorse the approach set out below to review and improve the current risk management process.

119. **Work Programme**

The Chair advised that governance items would be included in the work programme to be submitted to the next meeting.



Questions were asked regarding reports on parts of the Council business such as Trilogy. The Assistant Director Finance undertook to report back on the issue.

**RESOLVED:**

That the work programme be noted

120. **Urgent Business**

None advised.

121. **Exclusion of the Press and Public**

**RESOLVED:**

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the remainder of the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would likely be that exempt information falling under the provisions of Schedule 12A, Part 1, Paragraph 3 would be disclosed to them, and that in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

122. **Private Minutes of the Audit & Governance Committee held on 25th January 2023**

**RESOLVED:**

That the Private Minutes of the Audit and Governance Committee held on 25<sup>th</sup> January 2023 be approved and signed as a correct record.

123. **Exempt Appendices to Internal Audit Update report**

The Head of Audit and Risk advised that the working papers relating to the internal audits were being checked and the reports would be considered at a future meeting of the committee, with operational managers invited to attend.

The meeting closed at 6.45 pm

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

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# WEST NORTHAMPTONSHIRE COUNCIL

## WNC Audit and Governance Committee

14<sup>th</sup> of June 2023

<b>Report Title</b>	<b>Local Government and Social Care Ombudsman Report</b>
<b>Report Author</b>	<b>Luiza Morris-Warren, Assistant Director for Customer and Corporate Services, on behalf of Catherine Whitehead, Monitoring Officer</b>

### List of Approvers

<b>Monitoring Officer</b>	<b>Catherine Whitehead</b>	<b>07/06/2023</b>
<b>Chief Finance Officer (S.151)</b>	<b>Martin Henry</b>	<b>06/06/2023</b>
<b>Communications Lead/Head of Communications</b>	<b>Becky Hutson</b>	<b>06/06/2023</b>

### List of Appendices

**Copy of Public Report Ref: 21018799 30<sup>th</sup> of March 2023**

#### **1. Purpose of Report**

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- 1.1 This report informs The Audit and Governance Committee of the Local Government and Social Care Ombudsman's (LGSCO) published findings in relation to a complaint about Education and Children's Services - Special Educational Needs (SEN) provision and Education, Health and Care (EHC) plans.
- 1.2 A Public report is issued by the Local Government and Social Care Ombudsman's office when it is considered that it is in the public interest to highlight a particular issue or problem that may affect more than one person/ family.

#### **2. Executive Summary**

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2.1 Mr and Mrs X complained the Council failed to support their child, J's, special educational needs and did not provide them with an appropriate educational placement for two years. The findings were related to the Authority's failures to:

- review and amend J's Education, Health and Care plan since 2018;
- provide a suitable educational provision for J since March 2020;
- identify and provide an appropriate school place for J;
- provide an appropriate remedy or make the change it identified after it upheld Mr and Mrs X's complaint about the same.

2.2 Mr and Mrs X stated this caused J significant physical and mental distress and they missed two years of education. It also caused J's sibling and Mr and Mrs X distress and frustration.

2.3 The LGSCO found fault against the Council causing injustice to the Complainants and specific recommendations have been made.

### **3. Recommendations**

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3.1 The Council has fully accepted the recommendations identified to remedy the complaint. The Audit and Governance Committee is asked to note the findings of the report and the remedial actions put in place by the service following the publication of the report.

### **4. Reason for Recommendations**

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4.1 The Council is required to consider the report and confirm within three months the action it has taken to respond to the findings and recommendations.

4.2 Under the *Local Government Act 1974, section 31(2), as amended*, the Council is required to share the report at its full Council, Cabinet or other appropriately delegated committee of elected members and evidence this to the Local Government and Social Care Ombudsman.

4.3 In addition, Local Government and Housing Act 1989, Section 5 requires that the Monitoring Officer of a Local Authority prepares a report to the Authority with respect to any cases where maladministration or failure has been found.

### **5. Report Background**

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5.1 Section 30(3) of the Local Government Act 1974 requires the Ombudsman to report, without naming or identifying the complainant or other individuals, where findings of maladministration have been made.

5.2 The LGSCO has published the report on their website on or after 30 March. The Authority has also made this known through its website and social media, as required by the Ombudsman.

5.3 Section 30 of the 1974 Act requires the Council to place two public notices in local newspapers and/ or newspaper websites. This has been done. Copies of the report have also been made available free of charge at our offices.

### **6. Issues and Choices**

6.1 The Education service have considered the findings of the report and took the following actions:

All the actions that were stated by the LGSCO for the family involved have been completed and the child is attending a residential setting now.

All the other families have been written to directly by the council to let them know that there may be an issue here as directed by the LGSCO. One parent already had a judgement from the LGSCO, so that has been dealt with separately. The other parents have been spoken to by EHC officers, whenever possible, to inform them that compensation can be paid.

Auditing of cases was carried out to identify any other similar cases. We currently have one other case being investigated by the Ombudsman, however this is a different issue to the original complaint that led to the public report being issued.

We do currently have 23 children and young people without a school place. Most of these now have one identified to start shortly or in September. They are overwhelmingly young people who have recently moved into West Northants with an EHC Plan and are looking for a school place. All of them will have tuition in place already, or it has been offered.

6.2 In terms of longer-term actions to address the findings of the report, the service has done the following:

Working with our special school colleagues in order to ensure that needs are being met. Where this isn't possible, independent providers are used to meet specific needs.

For the other cases identified who did not have a school place, the EHC team meet on a weekly basis to see how we can move these forward. Most of those who do not have a school place for a longer period of time have very significant Social, Emotional and Mental Health needs that often display violent and aggressive behaviour. In order to address this need, we are expanding The Gateway School by approximately 50 places and within that we are planning a small provision for those with significantly high level of need.

## **7. Implications (including financial implications)**

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### **7.1 Resources and Financial**

In SEN complaints the LGSCO are usually seeking to remedy a shortfall in the provision specified in the child's statement of SEN, or an injustice caused by the delay in completing the assessment and statementing process.

In this instance, a financial remedy totalling £7,125 has been identified by the Ombudsman to acknowledge the injustice caused to the family.

The Council has been asked to:

- pay Mr and Mrs X £5,125 to be used for J's benefit to recognise the impact of the lost education on J and the effect on J's wellbeing

- pay Mr and Mrs X £1,000 to recognise the distress and harm caused to J by the Council's failure to provide an appropriate school; and
- pay Mr and Mrs X a further £1,000 to recognise the frustration, distress, uncertainty and eroded trust in the Council caused to them.

Additionally, to ensure that the Council puts things right for others identified to have experienced injustice because of the findings of this complaint, it was recommended that the Council reference the LGSCO guidance on remedies and make payments as appropriate to other families found to be in a similar situation.

Where fault has resulted in a loss of educational provision, the Ombudsman's guidance recommends a remedy payment of between £200 and £600 a month to acknowledge the impact of that loss. The figure should be based on the impact on the child and take account of factors such as:

- the severity of the child's SEN;
- any educational provision – full-time or part-time, without some or all of the specified support – that was made during the period;
- whether additional provision now can remedy some or all of the loss;
- whether the period affected was a significant one in a child's school career – for example, the first year of compulsory education, the transfer to secondary school, or the period preparing for public exams

A total of £48,600 was spent to remedy the above.

## 7.2 Legal

The Council has a statutory duty under S19 of the Education Act 1996 to provide full-time education where a child cannot attend school because of exclusion, medical reasons, or 'otherwise'. Councils usually expect schools to arrange off-site provision in the first instance, but the duty to provide full-time education remains with the Council. There may be an overlap between SEN, admissions and S19 requirements in some cases, and for this, departments within the Authority are expected to work together.

## 7.3 Risk

There is a risk with the publication of any public report identifying maladministration that there is an increase in the number of complaints received from other families in similar situations. The service is proactively addressing similar cases, as outlined above. There isn't however an option to not publish this report, so mitigations will be put in place should these additional complaints materialise.

## 7.4 Consultation and Communications

A communications plan is in place to accompany the publication of the report by the LGSCO, as well as any other similar cases. At time of publication of the report, the Council took steps to support this by informing the public of its outcome in line with prescribed requirements, including:

- Issuing letters to the identified families
- Informing colleagues and stakeholders of the recommendations and actions being taken
- Adding information onto the WNC website including a proactive news article
- Placing public notices in the local media within two weeks of publication.

In addition to these steps, the Council will continue to inform and engage the public on the objectives and outcomes of its SEND improvement plan, which aims to further develop provision of places for children with special educational needs and disabilities in West Northamptonshire.

#### **7.5 Consideration by Overview and Scrutiny**

The Audit and Governance Committee is receiving a copy of the report for consideration in June 2023.

#### **7.6 Climate Impact**

There are no climate implications in the reporting of the findings.

#### **7.7 Community Impact**

The findings of the LGSCO report have no direct implications on the community.

### **8. Background Papers**

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*Report by the Local Government and Social Care Ombudsman Investigation into a complaint about West Northamptonshire Council (reference number: 21 018 799)*

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**Report by the Local Government and Social Care  
Ombudsman**

**Investigation into a complaint about  
West Northamptonshire Council  
(reference number: 21 018 799)**

**15 February 2023**

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## The Ombudsman's role

For more than 40 years the Ombudsman has independently and impartially investigated complaints. We effectively resolve disputes about councils and other bodies in our jurisdiction by recommending redress which is proportionate, appropriate and reasonable based on all the facts of the complaint. Our service is free of charge.

Each case which comes to the Ombudsman is different and we take the individual needs and circumstances of the person complaining to us into account when we make recommendations to remedy injustice caused by fault.

We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- > apologise
- > pay a financial remedy
- > improve its procedures so similar problems don't happen again.

Section 30 of the 1974 Local Government Act says that a report should not normally name or identify any person. The people involved in this complaint are referred to by a letter or job role.

### Key to names used

Mr and Mrs X	The complainants
J	Mr and Mrs X's child
S	J's sibling

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## Report summary

### **Education and Children's Services - Special educational needs (SEN) provision and education, health and care (EHC) plans**

Mr and Mrs X complained the Council failed to support their child, J's, special educational needs and did not provide them with an appropriate educational placement for two years.

### **Finding**

Fault found causing injustice and recommendations made.

### **Recommendations**

The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. (*Local Government Act 1974, section 31(2), as amended*)

To remedy the injustice caused to J and Mr and Mrs X we recommend the Council:

- pay Mr and Mrs X £5,125 to be used for J's benefit to recognise the impact of the lost education on J and the effect on J's wellbeing;
- pay Mr and Mrs X £1,000 to recognise the distress and harm caused to J by the Council's failure to provide an appropriate school; and
- pay Mr and Mrs X a further £1,000 to recognise the frustration, distress, uncertainty and eroded trust in the Council caused to them.

To ensure the same faults do not happen again we recommend the Council:

- provide us with the confirmation of the approved budget for the specialist units and special school it has planned, to meet its sufficiency duty to provide educational provision for children with SEN;
- share the learning from this complaint with all staff members who are responsible for reviewing, amending, finalising and issuing EHC plans;
- remind relevant staff of the Council's powers and responsibility to name an appropriate school, or parental preference school in a child's EHC plan – especially where drift and delay is likely in finding an appropriate school placement; and
- remind relevant staff of the Council's duty to ensure special educational provision is being provided where it has delegated the provision to another body.

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To put things right for others affected by the same issues we recommend the Council:

- review the consultation process for each of the eight children who are without an appropriate school placement and ensure the Council has taken all available action to secure an appropriate placement for each child. If the Council identifies any fault in its actions leading to injustice it should remedy it in line with our [guidance on remedies](#); and
- write to each of the eight children's parents or guardians. It should inform them that our investigation into a complaint from another family identified fault by the Council for failing to provide an appropriate school placement for a child. It identified their child may also have been affected by the fault and therefore it has reviewed their child's case to see if they were similarly affected. It should tell them the finding of that review and signpost the parent or guardian to us if they remain dissatisfied.

The Council has accepted our recommendations to remedy the complaint.

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## The complaint

1. Mr and Mrs X complained about the way the Council supported their child, J's, special educational needs. Mr and Mrs X complained the Council failed to:
  - review and amend J's Education, Health and Care plan since 2018;
  - provide a suitable educational provision for J since March 2020;
  - identify and provide an appropriate school place for J; and
  - provide an appropriate remedy or make the change it identified after it upheld Mr and Mrs X's complaint about the same.
2. Mr and Mrs X stated this caused J significant physical and mental distress and they missed two years of education. It also caused J's sibling and Mr and Mrs X distress and frustration.

## What we have and have not investigated

3. We investigated matters from March 2019 until the end of July 2022.
4. We have not investigated events after July 2022. This is because Mr and Mrs X had the right to appeal to the special educational needs and disability (SEND) tribunal about J's EHC plan from July 2022. The law says we cannot normally investigate a complaint when someone can appeal to a tribunal about the same matter. (*Local Government Act 1974, section 26(6)(a), as amended*)
5. Mr and Mrs X started court action in relation to J's education from September 2022. The courts have said that where someone has used their right of appeal, reference or review or remedy by way of proceedings in any court of law, the Ombudsman has no jurisdiction to investigate. (*Local Government Act 1974, section 26(6)(a), as amended*)

## Legal and administrative background

### The Ombudsman's role and powers

6. We investigate complaints about 'maladministration' and 'service failure'. In this report, we have used the word 'fault' to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. We refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)
7. We may investigate matters coming to our attention during an investigation, if we consider that a member of the public who has not complained may have suffered an injustice as a result. (*Local Government Act 1974, section 26D and 34E, as amended*)
8. Under the information sharing agreement between the Local Government and Social Care Ombudsman and the Office for Standards in Education, Children's Services and Skills (Ofsted), we will share this decision with Ofsted.

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## Education, Health and Care plans

9. A child with special educational needs (SEN) may have an Education, Health and Care (EHC) plan. This sets out the child's needs and what arrangements should be made to meet them. The EHC plan is set out in sections. We cannot direct changes to the sections about education, or name a different school. Only the tribunal can do this.
10. The child's parent can request a particular school to be named on the EHC plan. The council must name that school in the plan unless:
  - it would be unsuitable for the age, ability, aptitude or SEN of the child; or
  - the child's attendance there would be incompatible with the efficient education of others, or the efficient use of resources.
11. A council can name a maintained school in a child's EHC plan if it believes it is an appropriate placement for that child. The school must admit a child if it is named on their EHC plan.
12. EHC plans must be reviewed every twelve months. Within four weeks of a review meeting, a council must notify the child's parent of its decision to maintain, amend or discontinue the EHC plan. If it decides to amend the plan, it should start the process of amendment '*without delay*'.
13. Following comments from the child's parent or the young person, if the council decides to continue to make amendments, it must issue the amended EHC plan as soon as practicable and within eight weeks of the date it sent the EHC plan and proposed amendments to the parents.

## The SEND Tribunal

14. There is a right of appeal to the Special Educational Needs and Disability (SEND) Tribunal if a parent disagrees with the special educational provision or the school, or type of school named in their child's EHC plan. The right of appeal is only engaged when the final amended plan is issued.

## Duty to secure provision

15. The council has a duty to secure the specified special educational provision in an EHC plan for the child or young person. (*Children and Families Act 2014, Section 42*) The courts have said this duty to arrange provision is owed personally to the child and is non-delegable. This means if a council asks another organisation to make the provision and that organisation fails to do so, the council remains responsible. (*R v London Borough of Harrow ex parte M [1997] ELR 62, R v North Tyneside Borough Council [2010] EWCA Civ 135*)
16. We recognise it is not practical for councils to keep a '*watching brief*' on whether schools are providing all the special educational provision for every pupil with an EHC plan. Councils should be able to demonstrate due diligence in discharging this important legal duty and as a minimum have systems in place to:
  - check the provision at least annually via the review process; and
  - investigate complaints or concerns that provision is not in place at any time.
17. Councils have a duty to keep under review whether the educational provision it makes for children with special educational needs in its area is sufficient. (*Children and Families Act 2014, Section 27*)

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## **COVID-19 impact**

18. In March 2020 the country was impacted by the COVID-19 pandemic and all schools closed to pupils, except the children of key workers and certain other groups of children. The government advised councils to complete a risk assessment in conjunction with the school to establish if a child with an EHC plan would be safer in a school setting than not. This measure was about safety rather than education. (*Coronavirus (COVID-19): guidance on vulnerable children and young people*)

## **How we considered this complaint**

19. We produced this report after examining relevant documents.
20. We gave the complainant and the Council a confidential draft of this report and invited their comments. The comments received were taken into account before the report was finalised.

## **What we found**

### **What happened**

21. J is a child of primary school age who lives at home with their sibling, S, and their parents Mr and Mrs X. J has Autism Spectrum Disorder and significant difficulty in communicating their wishes and needs.
22. The Council produced an EHC plan in March 2018 in preparation for J beginning primary school. The EHC plan set out what provision J needed to meet their needs and named the school they would attend. J began attending that school (School A) in September 2018.
23. School A held an annual review of the EHC plan in October 2019 and submitted the paperwork to the Council. It recommended the EHC plan should be maintained. The Council did not respond.
24. School A conducted another annual review meeting in January 2020. It told the Council J still needed an EHC plan but recommended some amendments to the outcomes J was aiming to achieve. The Council did not respond.
25. In March 2020 the country was impacted by COVID-19 and all schools closed to most pupils. Mrs X states School A did not allow J to attend. The Council did not complete a risk assessment with School A to consider if J should continue to attend during the COVID-19 lockdown.
26. The Council wrote to Mr and Mrs X in May 2020, referencing the January 2020 annual review meeting and said it would maintain the EHC plan.
27. In May 2020 the Council received two safeguarding referrals for J and their family. The concerns related to J's behaviour at home and the impact on their mental health and their sibling. A Council social worker contacted School A and requested J be allowed to return to school despite the lockdown. J returned for three days a week at the end of May. Both School A and Mrs X stated J had made good progress before lockdown and the lack of routine had a huge impact on J's wellbeing.
28. J returned to school full time in September 2020.
29. School A was concerned about J's needs and wellbeing and commissioned an independent educational psychologist's (EP) report. In April 2021 the report said J showed clear signs of distress when they were upset that made them particularly vulnerable, and so was often isolated in a separate room at school and therefore

- 
- was not learning. It stated J self-harmed at school when upset. The EP found J needed one-to-one support in a small, quiet room with no other children or a couple of quiet peers.
30. School A conducted an annual review meeting of J's EHC plan in June 2021. The review recorded J was injuring themselves daily while attending school through self-harm. It stated J was struggling to access any learning and had regressed in their personal care. School A said it could not provide the support J needed and recommended the Council offer an alternative provision. It sent the review and the EP report to the Council.
31. The Council sent Mrs X a draft amended EHC plan in September 2021. It added to the provision J required to meet their SEN. It stated *'both parents feel that reduced class size and more focused one to one support would allow [J] to take more part in [their] learning, however, both fully understand this is not possible for [School A] and as a result this is having a profound impact on [J]'s mental health, driving [them] to self-injury on a daily basis at school and [impact on their] ability to grow, develop or access any form of sustained education.'* The EHC plan still named School A as the educational placement.
32. The Council asked Mrs X to provide her comments on the draft within 15 days. Mrs X responded the following day and asked for a meeting to discuss the amendments.
33. School A met with the Council and Mr and Mrs X to discuss their concerns for J. School A reported J was spending all day in a room alone in school because they were distressed. It did not have enough staff members to work with J on a one-to-one basis. School A said it was not meeting J's needs *'in any way, shape or form'*. School A requested additional funding from the Council to employ a support assistant to work with J on a one-to-one basis while a suitable alternative was found. The Council agreed. The Council did not finalise the amended draft plan.
34. Mrs X complained to the Council in September 2021. She said the Council had failed to:
- provide the EHC plan in line with the timescales set out in the guidance;
  - respond to School A not being able to meet J's needs; and
  - respond to J self-harming as a result.
35. The Council responded to Mrs X's complaint in October 2021. It said:
- it had not met the deadline for issuing an amended EHC plan for J after the annual review and apologised;
  - its communication to Mrs X had been insufficient and apologised; and
  - the EHC officer would contact Mrs X on a weekly basis to update her on the progress in securing a school place for J.
36. The Council told us that between September 2021 and February 2022 it did not provide weekly updates to Mr and Mrs X, but made contact when there was information to share. Despite our requests the Council did not provide documentary evidence to support this.
37. The Council met with Mrs X and School A in February 2022. School A reported J was not accessing the curriculum and was not meeting the targets set in their EHC plan. The Council provided an update on the consultation process with other schools and said it was waiting for responses.



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38. In March 2022 School A held an annual review meeting for J's EHC plan. It referred to the amendments it suggested in May 2021. It stated a support assistant had started working with J, but J still struggled to access the classroom.
39. Mrs X complained to the Council again in March 2022. She said:
- the Council had not, and was not providing weekly updates as it stated it would in its earlier complaint response; and
  - J still did not have an appropriate school placement and had not received an education since April 2021.
40. The Council replied to Mrs X's complaint in April 2022. The Council:
- apologised it had not maintained weekly contact as agreed but stated it had provided regular updates by email; and
  - apologised that J was still without an appropriate school placement and stated it continued to look for one.
41. Mrs X's solicitor wrote to the Council in April 2022. They said there was no support assistant in place for J at school and asked the Council to:
- name School B on a temporary basis in J's EHC plan; and
  - confirm how it intended to meet J's needs by the end of April; or
  - decide not to amend the EHC plan and provide the appeal rights to the SEND tribunal.
42. The Council responded in May 2022. It stated School A was an appropriate placement and could meet J's SEN as they were '*receiving learning on a 1:1 basis*'.
43. The Council wrote to Mrs X in May 2022 and proposed changes to J's EHC plan. It asked Mrs X to tell it if she disagreed with the suggested changes or wanted to name a school in the EHC plan.
44. School A wrote to the Council again and reiterated it could not meet J's needs. It stated that J still spent most of their school day in a room alone.
45. After receiving a consultation request in March 2022 School C offered J a place in June 2022. School C was an independent special school in a different council area. Mrs X asked the Council to name School C on J's EHC plan.
46. The Council issued a final amended EHC plan for J at the end of July 2022. It did not name School C and named a type of school J should attend. The Council informed Mrs X of her right to appeal to the SEND tribunal.

### **School consultations**

47. The records show the Council consulted 23 schools about J's placement between September 2021 and July 2022.
48. Of the nineteen schools consulted before August 2022, three did not respond. Fifteen schools said they could either not meet J's needs or they had no space. The only school that offered J a placement was School C in June 2022. The Council consulted four other schools after June 2022, but none offered J a place.

### **Further information**

49. In response to our enquiries the Council did not explain why it did not name School C, but stated that it had since agreed to do so.

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50. The Council stated it worked closely with all professionals involved to ensure that J's needs were being met whilst it consulted for a more appropriate setting. It stated it held regular updates with School A to assist it with any further concerns or needs that were raised. Despite our requests the Council did not provide any documentary evidence to support this.
  51. During our investigation the Council told us in August 2022 there were eight children and young people with EHC plans who had been without an appropriate school place for over six months. It said it recognised it had a shortage of special school places and had committed to opening several specialist units and a new special school to meet SEN needs. The Council's actions may have caused an injustice to this group of children and so we decided to investigate further, using our powers under Section 26D of the Local Government Act 1974.
  52. Mrs X stated that J will attend School C, but cannot do so until 2023 due to a lack of space.
  53. Mr and Mrs X instigated court action against the Council in relation to J's education from September 2022.
  54. We issued an earlier draft decision in relation to this investigation to the Council with our draft views and recommendations. Despite repeated requests for its comment, the Council failed to respond until we began the report process. It is disappointing the Council did not take the earliest opportunity to comment on our draft decision or to agree to the recommendations we made.

## **Conclusions**

### **J's Education, Health and Care plan**

55. J's EHC plan was finalised in March 2018. The Council should have reviewed it and decided whether to maintain, amend or cease the plan by March 2019. The Council did not do so until May 2020. The delay was not in line with the legislation and was fault. However, we do not find this caused an injustice, this is because when it reviewed it in 2020 the Council decided to maintain the plan. Mr and Mrs X did not suggest that the EHC plan and provision at that time was not appropriate.
56. School A conducted an annual review in June 2021 and March 2022. The Council issued a draft amended plan in September 2021 but did not finalise it. It issued a final amended plan for J in July 2022. The legislation states the amended final plan should be issued without delay after the annual review. It took the Council 13 months to do so.
57. The Council did not follow the set procedure or timelines for reviewing and amending the EHC plan. That was fault and meant J did not have an EHC plan that appropriately identified their needs between May 2021, when the review should have been completed, and July 2022 when the amended final plan was issued. On the balance of probabilities, this caused J distress and a loss of 14 months of education and personal development. The faults prevented Mr and Mrs X from accessing their appeal rights to the SEND tribunal and caused them frustration and distress.

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### **Suitable educational provision**

58. In March 2020 J had an EHC plan when the country went into lockdown. The Council should have worked with School A to establish if J should have stayed in school, in line with government guidance. There is no evidence the Council did so, and this was fault. There were two safeguarding referrals about J's safety and wellbeing while at home in May 2020 which resulted in J returning to school. Both Mrs X and School A stated not attending school had a detrimental impact on J's wellbeing. The Council's failure to consider if J should have remained in school leaves uncertainty about whether they should have been at school continuously from March 2020.
59. School A then stated it could not meet J's needs, and as a result they were isolated, not learning, regressing in their personal development and self-harming. School A told the Council this five times between June 2021 and May 2022, and provided an EP report stating the same.
60. The Council was aware School A was not delivering the provisions in the EHC plan from June 2021, and the Council failed to secure the special education provision. This fault had a significant impact on J's wellbeing and meant that they lost out on education, personal development and spent a significant proportion of their time in a room on their own. This also caused Mr and Mrs X distress.

### **Identifying an appropriate school place**

61. The Council told Mrs X in May 2022 that School A was an appropriate placement and could meet J's needs. The month before it had apologised to Mrs X that J was not in an appropriate school placement. The Council told us it worked closely with School A to ensure J's needs were being met. Despite this, it did not provide any evidence to show:
- the placement was suitable;
  - that it took any action to assure itself J was receiving the provision outlined in their EHC plan; or
  - that it worked closely with School A to ensure J's needs were met.

While it agreed to fund additional one-to-one support, it did not review this to ensure it was effective, even when the School stated it was not. This was fault.

62. The Council consulted with 19 schools between September 2021 and April 2022 and did not receive a positive response until June 2022. Once it knew J needed a different placement in June 2021 the Council had three options:
- it had the power to name an 'appropriate' school in J's EHC plan, and the school would have had a duty to admit them;
  - it could have named School C in J's EHC plan in June 2022 as it had offered a place and Mrs X named it as parental preference; or
  - it could have taken any other action to work creatively with any maintained consulted school to make an 'appropriate' placement for J.
63. The Council did not take any of those actions which led to drift and delay which was further fault. It prevented J from being in an appropriate placement sooner.

### **Complaint response**

64. The Council apologised to Mrs X that it failed to meet the EHC plan deadlines and to communicate with her properly in October 2021. It stated it would improve its communication with Mrs X. In April 2022 it acknowledged it had not improved its

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communication as it said it would do. It also acknowledged J was without an appropriate school placement. The Council accepted it was at fault but failed to identify or remedy the injustices arising from those faults. It also failed to implement the improvements in communication it said it would. That was fault and caused Mr and Mrs X further frustration and eroded their confidence in the Council.

### **Council's response to our recommendations**

65. In January 2023 the Council said it was actively working with the eight children it identified who had EHC plans, who had been without a school place for over six months in August 2022. It said the children were not yet in school, but they were receiving alternative educational provision. It said for each child there were a different set of circumstances that led to them being without a school place and it did not believe it was necessarily the reason as we identified in this case. As part of our recommendations, we asked it to carry out a review of those eight cases. The Council said it would identify if any injustice had been caused to those children and offer an appropriate remedy.

### **Recommendations**

66. The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. (*Local Government Act 1974, section 31(2), as amended*)
67. Mrs X stated she did not want and would not accept an apology from the Council about the matters investigated. We have therefore not recommended the Council apologise for the injustices caused by its faults.
68. To remedy the injustice caused to J and Mr and Mrs X we recommend the Council:
- pay Mr and Mrs X £5,125 to be used for J's benefit to recognise the impact of the lost education on J and the effect on J's wellbeing;
  - pay Mr and Mrs X £1,000 to recognise the distress and harm caused to J by the Council's failure to provide an appropriate school; and
  - pay Mr and Mrs X a further £1,000 to recognise the frustration, distress, uncertainty and eroded trust in the Council caused to them.
69. To ensure the same faults do not happen again we recommend the Council:
- provide us with the confirmation of the approved budget for the specialist units and special school it has planned, to meet its sufficiency duty to provide educational provision for children with SEN;
  - share the learning from this complaint with all staff members who are responsible for reviewing, amending, finalising and issuing EHC plans;
  - remind relevant staff of the Council's powers and responsibility to name an appropriate school, or parental preference school in a child's EHC plan – especially where drift and delay is likely in finding an appropriate school placement; and
  - remind relevant staff of the Council's duty to ensure special educational provision is being provided where it has delegated the provision to another body.

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70. To put things right for others affected by the same issues we recommend the Council:
- review the consultation process for each of the eight children who are without an appropriate school placement and ensure the Council has taken all available action to secure an appropriate placement for each child. If the Council identifies any fault in its actions leading to injustice it should remedy it in line with our [guidance on remedies](#); and
  - write to each of the eight children’s parents or guardians. It should inform them that our investigation into a complaint from another family identified fault by the Council for failing to provide an appropriate school placement for a child. It identified their child may also have been affected by the fault and therefore it has reviewed their child’s case to see if they were similarly affected. It should tell them the finding of that review and signpost the parent or guardian to us if they remain dissatisfied.
71. The Council has accepted our recommendations to remedy the complaint.

## **Decision**

72. We have completed our investigation into this complaint. We found there was fault by the Council causing injustice to J and Mr and Mrs X, and possibly eight other children. The Council should take the action identified in paragraphs 68 to 70 to remedy the injustice caused to J, Mr and Mrs X and the eight other children, and to prevent the same faults occurring in the future.

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# WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

14 June 2023

<b>Report Title</b>	<b>Information Governance Update</b>
<b>Report Author</b>	<b>Bellinda Cotton bellinda.cotton@westnorthants.gov.uk</b>

## Contributors/Checkers/Approvers

West MO	Catherine Whitehead	07/06/23
S151	Martin Henry	07/06/23

## List of Appendices

Appendix A – Information Governance Quarterly Update

### 1. Purpose of Report

- 1.1. To present a summary of work undertaken within the Information Governance service over the past 24 months that provides the background to regular quarterly reports going forward.

### 2. Executive Summary

- 2.1 Information Governance deliver a number of statutory and compliance services for the Council including FOI / EIR requests and Records Management. At the core of the service however is the Data Protection team who provide corporate advice and guidance, uphold data subject rights including subject access requests, assist with Data Sharing Agreements, Privacy Impact Assessments and investigate all data incidents (breach) reports.
- 2.2 The report at Appendix A is produced by the Council's Data Protection Officer, Bellinda Cotton. It is an initial report providing an overview of the caseloads since vesting day. Future reports will

look closer at recent requests, trends, statistics and any interactions with the regulator, the Information Commissioners Office (ICO) including decision or enforcement notices.

### **3. Recommendations**

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3.1 It is recommended that the Committee accept the Information Governance update.

### **4. Reason for Recommendations**

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4.1 To keep the Committee apprised of the Information Governance work of the Council and for the Audit and Governance Committee to effectively carry out its role in line with its terms of reference.

### **5. Report Background**

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5.1 The Information Governance Report is included at Appendix A and will be presented by the Data Protection Officer to the Committee.

### **6. Issues and Choices**

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6.1 The Committee could decide not to receive the report but in doing so it would not be apprised of the issues facing the organisation, particularly those of the number and complexity of requests received and any interactions with the regulator.

### **7. Implications (including financial implications)**

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#### **7.1 Resources and Financial**

7.1.1 There are no resource or financial implications arising from the report.

#### **7.2 Legal**

7.2.1 There are no legal implications arising from the report.

#### **7.3 Risk**

7.3.1 There are no significant risks arising from the proposed recommendations in this report.

#### **7.4 Consultation**

7.4.1 Not applicable

#### **7.5 Consideration by Overview and Scrutiny**

7.5.1 Not applicable



**7.6 Climate Impact**

7.6.1 Not applicable

**7.7 Community Impact**

7.7.1 Not applicable

**8. Background Papers**

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8.1 None.

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## INFORMATION GOVERNANCE QUARTERLY UPDATE

To  
**Audit and Governance Committee**

**14<sup>th</sup> June 2023**

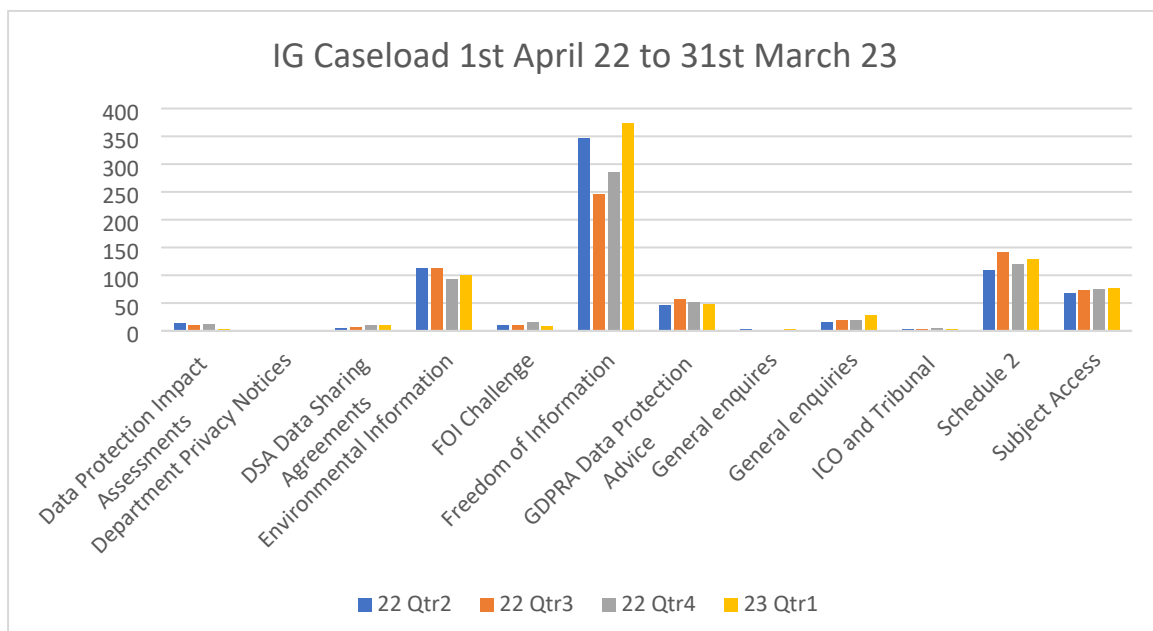
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Report author: Bellinda Cotton, Data Protection Officer, Information Governance

### 1. SUMMARY

This report provides Audit Committee with a summary of the main areas of work carried out by the Requests (FOI/EIR & Transparency), Data Governance and new Records Management Teams.

### 2. INFOMRATION GOVERNANCE UPDATE



The requests team (FOI and EIR) provide a central resource to ensure all access to information requests are processed in accordance with the relevant legislation, in the same way and with consistent application of exemptions, exceptions and redactions. The team also provide a route to review for any challenged responses and manage the appeal process with the Information Commissioners Office (ICO) / Tribunal service.

The IG team is experiencing significant request and case number increases which are beginning to draw capacity away from compliance and governance work. The team will be restructuring over the summer and early autumn to look at how best to ensure capacity exists within the team to deliver its key priority of excellent corporate information and records governance and data compliance.

The service will also soon benefit from the implementation of its long-anticipated cloud-based case management system (Cyc3). This will enable the provision of far more detailed monitoring reports, enhanced remote working and updated workflow.

## 2.1 Requests for Information

During the last year we have seen a small increase in requests numbers, however the number of requests disguises a significant increase in the number of questions and complexity of them. The result of this means the team spends a lot more time reviewing and redacting documents to meet the statutory response deadline of 20 working days. A significant team pressure is the EIR requests that relate to property searches (CON29 requests) from organisations and can be for up to 20 properties. Though we don't keep separate reportable records on the number of properties it exceeds 2,500 per annum and is growing each year.

In addition, work pressures in service areas mean that a disproportionate time is spent chasing up service areas for the requested information so that it can be assessed and prepared for public disclosure. This is particularly important as we are required to meet the statutory 20-day period.

### Request totals

	FOI Requests	EIR Requests	Subject Access Requests
Number of requests received in Q4 22/23	374 (337)	99 (102)	77 (55)
Request reviews (challenges to original response)	8 (7)		
ICO appeals	2 (3)		
Annual totals			
Requests	1252 (1221)	418 (395)	293 (348*)
Reviews	41 (32)		
ICO	10 (9)		

The same quarter totals from the previous year (21/22) are in brackets.

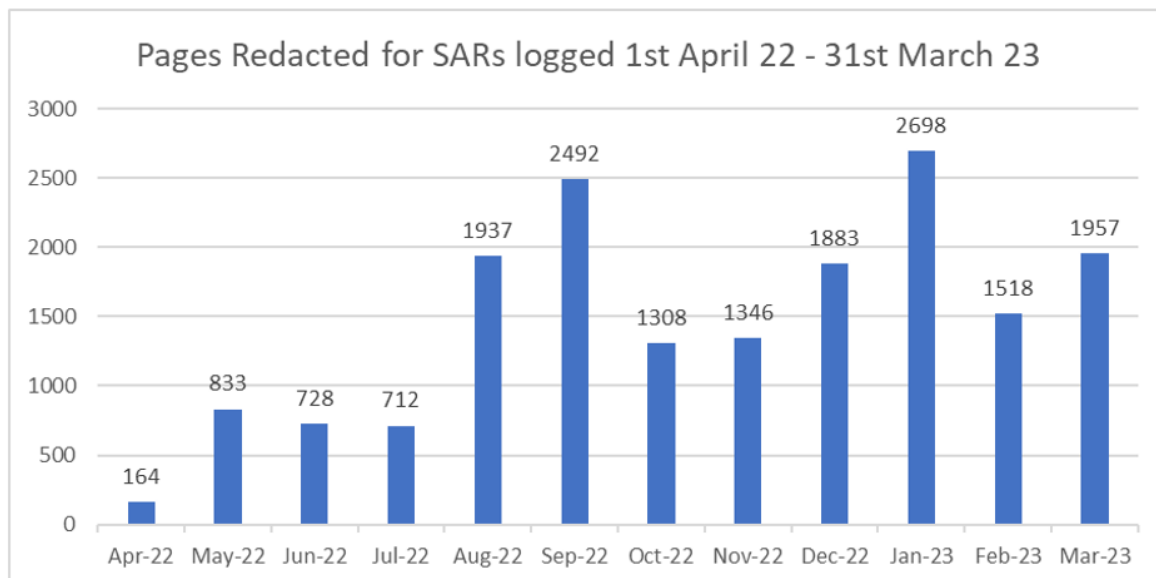
\* Includes NCT SAR's April to Oct 21

FOI section 11A requires the council to look to publish commonly requested information as new datasets. Some common request themes are beginning to emerge. We are working with several services including Housing Options and Environmental Health to look at what can be published to reduce the burden of responding to these common requests. Identifying and setting out a publication timetable (ideally quarterly) helps the service programme in updates to the datasets rather than collating new data for each request as they are received. It also makes it simpler to respond by providing a web link to the current and future data thereby reducing repeat requests from the same applicants. Using datasets in this way has proved extremely beneficial in the past to significantly reduce requests numbers. Two prime examples are non-domestic business rates (NNDR) and public funerals.

Work is continuing to merge the various Transparency Code (open data) held on the legacy council websites. An update on this work will be provided in the next IG audit report update.

## 2.2 Subject Access Requests (SAR's)

Often an overlooked aspect of SAR's, over the number of requests received, is the amount and complexity of the redaction. All redactions are double checked to help ensure personal data of other individuals is not inadvertently released. Though very time consuming this is a critical step to ensure the risk of a data breach is kept to an absolute minimum.



### 2.3 Data Governance including subject access requests

The Data Protection team currently consists of the Data Protection Officer and two full time officers. The team is designed primarily to assist West Northants in meeting its requirements under the UK GDPR Principles (Art 6 to 11) and the Rights of the data subject (Art 12 to 23) as derogated by the Data Protection Act 2018. In reality the team is predominantly managing the ever-growing number of complex and voluminous SAR's (Subject Access Requests).

During the past quarter, this entailed a daily average of completing 1.16 subject Access Requests, 70 pages of redaction and 2 exemption requests (typically from the Police, DWP, Home Office Immigration or National Fraud Initiative trace work).

### 2.4 DPIAs

Some of the ongoing projects requiring the use of a Data Protection Impact Assessment.

Project	Service Area	Case number	Signed off in quarter
Assistive Technology - Disaggregation	Adults	1150/23	
Supported Living Review Team	Adults	1149/23	
ERP Gold – New cloud authentication	HR / DTI	961/23	
Income Management System (IMS)	Finance	858/23	18 <sup>th</sup> May

### 2.5 Records Management

The records management team has just commenced work. The team will help the organisation to know what information it has and where it is (Information Asset Register (IAR)). This will be achieved in a number of ways including the management of external document storage, promoting electronic document management, overseeing the corporate retention policy and working with the departmental Information Asset Owners (IAOs) to improve service data management. However, an initial focus for the team will be the management and (cost) minimisation of physical document storage in the context of ongoing building moves, closures and the renewal of the off-site document storage contract.



# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

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**Report Title** Internal Audit Plan 2023-24

**Report Author** Jen Morris, Head of Audit and Risk Management  
Jen.morris@westnorthants.gov.uk

### Contributors/Checkers/Approvers

<b>West MO</b>	Cath Whitehead	06/06/2023
<b>West S151</b>	Martin Henry	06/06/2023
<b>Head of Communications</b>	Becky Hutson	6/06/23

### List of Appendices

Appendix 1 – Internal Audit Plan 2023-24

Appendix 2 – Internal Audit Charter

### **1. Purpose of Report**

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1.1 The purpose of this report is to consider and approve the Internal Audit plan for 2023-24.

### **2. Executive Summary**

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2.1 The Internal Audit service provides assurance that organisational controls are effective and adequately mitigating risk. We also provide counter fraud services, supporting the Council in preventing and investigating fraudulent activity.

### **3. Recommendations**

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3.1 It is recommended that the Committee consider and approve the plan.

#### **4. Reason for Recommendations**

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4.1 The Audit and Governance Committee is responsible for:

- Providing independent assurance as to the Council's governance, risk management framework and associated control environment
- Providing independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process

#### **5. Report Background**

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5.1 The Audit and Governance Committee approves and monitors the Internal Audit plan for the Council.

#### **6. Issues and Choices**

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6.1 Our internal audit approach for 2023-24 is detailed in Appendix 1, including the audit plan for quarters 1 and 2 and our Internal Audit charter.

6.2 We have adjusted our assurance approach to remove the organisational impact as this was difficult to quantify and became more of a subjective assessment.

#### **7. Implications (including financial implications)**

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##### **7.1 Resources and Financial**

7.1.1 There are no resources or financial implications arising from the proposals.

##### **7.2 Legal implications**

7.2.1 Internal Audit support the Council to meet its obligations under the Accounts and Audit Regulations 2015

##### **7.3 Risk**

7.3.1 There are no risks directly related to the service.

##### **7.4 Communication and Consultation**

7.4.1 The Internal Audit service will communicate and engage with service areas and other related stakeholders work and activities move forward on the Internal Audit Plan for the year ahead.

##### **7.5 Consideration by Overview and Scrutiny**

7.5.1 No Overview and Scrutiny comments

##### **7.6 Climate Impact**



7.6.1 There are not direct climate or environmental implications

**7.7 Community Impact**

7.7.1 There is no community impact

**8. Background Papers**

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8.1 Previous Internal Audit reports to Committee.

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## West Northamptonshire Council – Internal Audit 2023/24

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1. The objectives of Internal Audit are to:
  - Examine, evaluate, and report on the adequacy and effectiveness of the internal control and risk management across the Council and recommend arrangements to address weaknesses
  - Examine, evaluate, and report on procedures to ensure compliance with legislation and the Council's objectives, policies, and procedures
  - Examine, evaluate, and report on procedures to ensure the Council's assets and interests are adequately protected and effectively managed
  - Undertake independent investigations into allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation
  - Advise on the control and risk implications of new systems or other organisational changes
  
2. **2023/24 Internal audit plan**
  - 2.1. Our audit planning is based on continuous risk assessment and rolling plan approach; rather than planning for the full year in one go, we review the organisational objectives and risks to achievement on a regular basis, and plan for the following quarter. The programme is a combination of requested audit work aligned to service priorities and work recommended by continuous risk assessment, based on strategic and directorate risk registers, performance management data, and service changes.
  - 2.2. The plan includes maintained schools' audits, which will be focused on elements of the Schools Financial Value Standard and schools highlighted by the Schools Engagement team. We have included an indicative allocation for these audits, which will begin in quarter 3.
  - 2.3. We will update the Audit and Governance Committee with progress against the plan and the plan for the following quarter on a quarterly basis.
  - 2.4. The attached Internal Audit Plan Focus (Appendix 1) details the coverage identified for quarters 1 and 2.
  
3. **Resources**
  - 3.1. The resources available to deliver the audit plan are estimated at 1,175 days across the team, who bring a range of knowledge and experience. This compares with 1,079 in 2022/23.
  - 3.2. Our interaction with the Council is supported by the Internal Audit Charter, which is attached as Appendix 2.

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<b>Introduction</b>	The Council has an independent and objective internal audit function, which operates across the Council and provides audit services to key partners in the Northamptonshire and Cambridgeshire Pension Funds, and the Northamptonshire Children’s Trust (NCT). The Internal Audit team includes assurance, advice, certification, internal control review, and fraud investigation services.
<b>Purpose and mission</b>	The purpose of Internal Audit is to assist the Council, elected members, the Executive Leadership Team, relevant boards, and officers in delivering their objectives, to appropriately manage the key risks, and help to improve the effectiveness of governance, risk management and internal control processes. We provide independent, objective assurance and consulting services designed to add value and improve operations.
<b>Authority</b>	<p>To ensure the authority of the Internal Audit function the following arrangements are in place:</p> <ul style="list-style-type: none"> <li>• The function is headed by the Head of Audit and Risk Management, who reports to the Executive Director of Finance</li> <li>• The Head of Audit and Risk Management attends and reports to the Audit and Governance Committee, the Executive Leadership Team and the Executive Performance Board as required</li> </ul> <p>The Audit and Governance Committee ensures internal audit has sufficient authority to fulfil its duties and will:</p> <ul style="list-style-type: none"> <li>• Approve the internal audit charter</li> <li>• Approve the risk-based internal audit plan</li> <li>• Approve the internal audit budget and resource plan</li> <li>• Receive communication from the Head of Audit and Risk Management on internal audit’s performance relative to its plan and other matters</li> </ul> <p>The Council cannot place any restrictions on the work of Internal Audit. Staff engaged on audit work, either directly by the Council or one of our partners:</p> <ul style="list-style-type: none"> <li>• Have full, free, and unrestricted access to all functions, records, personnel or property pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information</li> <li>• Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports</li> </ul>
<b>Independence and objectivity</b>	The Internal Audit service is independent and remains free from all conditions that threaten the ability of the internal auditors to carry out their responsibilities in an unbiased manner. This includes audit selection, scope, procedures, frequency, timing, and report content. Details of any impairment, in fact or appearance, will be reported by the Head of Audit and Risk Management to the Executive Director of Finance and the Chair of the Audit and Governance Committee.

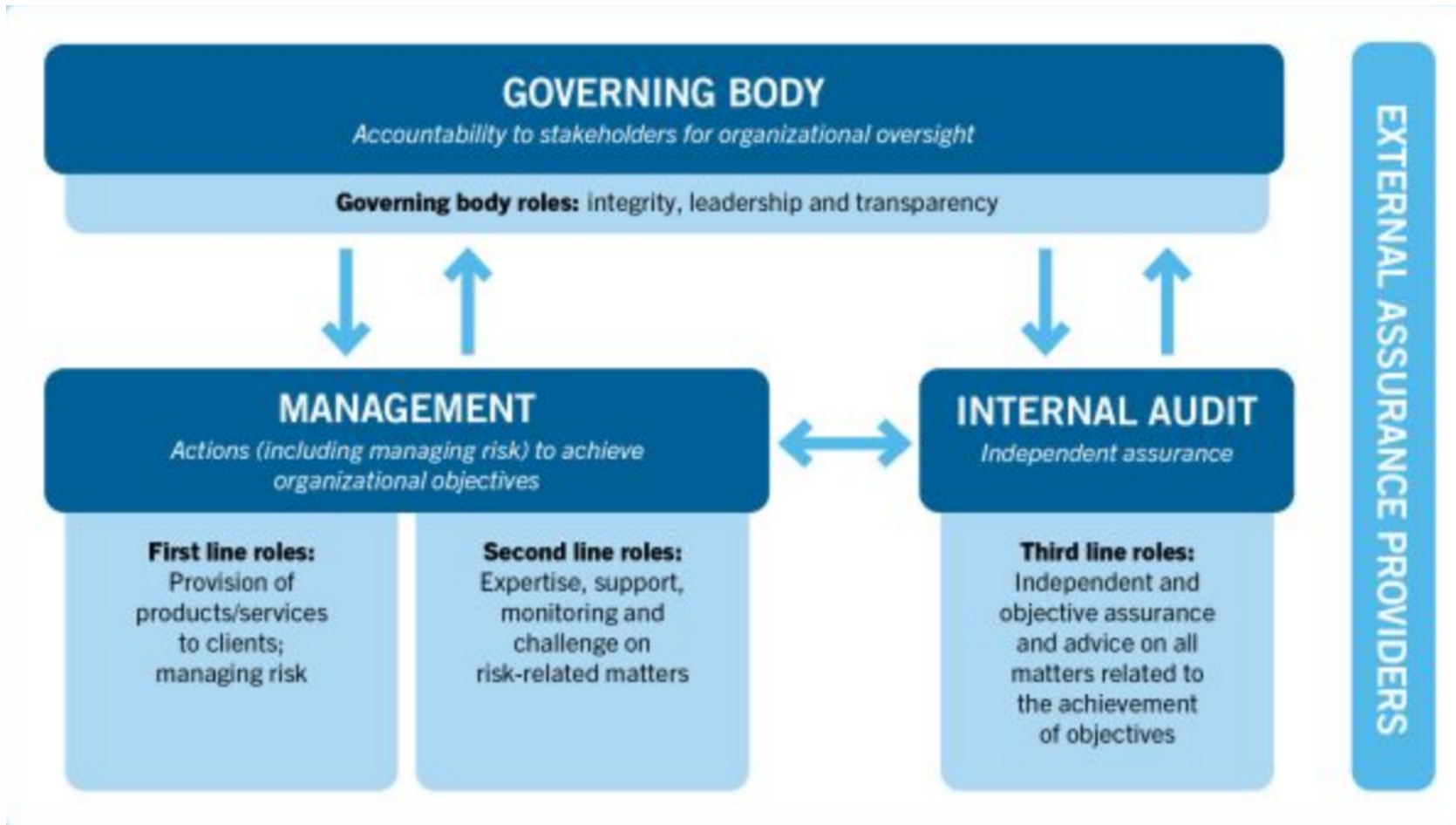
	<p>To ensure this independence or objectivity internal auditors provide advisory rather than decision making or operational services, remaining independent of the activities we audit and rotating staff across audits.</p> <p>Internal audit will:</p> <ul style="list-style-type: none"> <li>• Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties</li> <li>• Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or processes being examined</li> <li>• Make balanced assessments of all available and relevant facts and circumstances</li> <li>• Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements</li> </ul>
<b>Organisational status</b>	<p>The assurance levels are considered in conjunction with the Three Lines of Defence model (provided as Appendix 1). The Three Lines of Defence model demonstrates the relationship between the functions involved in assurance:</p> <ul style="list-style-type: none"> <li>• 1<sup>st</sup> line of defence – the functions that own and manage the risks</li> <li>• 2<sup>nd</sup> line of defence – the functions that oversee or specialise in the compliance or management of risk</li> <li>• 3<sup>rd</sup> line of defence – the functions that provide independent assurance</li> </ul> <p>This is supported by review of relevant external inspection reports.</p>
<b>The Audit Approach</b>	<p>Internal audit work will include objective examinations of evidence for the purpose of providing independent assessments of the adequacy and effectiveness of governance, risk management, and control processes. Assessments include evaluating whether:</p> <ul style="list-style-type: none"> <li>• Risks relating to the achievement of the Council’s strategic objectives are appropriately identified and managed</li> <li>• The actions of the Council’s officers and elected members comply with our policies, procedures and applicable laws, regulations and governance standards</li> <li>• Operations or programmes are being carried out effectively and efficiently</li> </ul>
<b>Responsibilities</b>	<p>Internal audit is responsible for operating under the policies of the Council and in line with professional standards and best practice. We conduct our work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors, and further guided by the Public Sector Internal Audit Standards. Under these core principles we will always:</p> <ul style="list-style-type: none"> <li>• Demonstrate integrity, competence and due professional care</li> <li>• Be objective and free from undue influence</li> </ul>

	<ul style="list-style-type: none"> <li>• Align with strategies, objectives, and risks of the Council</li> <li>• Demonstrate quality and continuous improvement</li> <li>• Produce risk-based assurance and promote organisational improvement</li> </ul> <p>Officers are responsible for agreeing the scope of internal audit work and for implementing agreed actions. The Executive Leadership Team supports internal audit and ensures that there is direct access and freedom to report findings and actions. Management will notify Internal Audit of any changes to key systems, legislation, processes, or staff to enable us to consider any potential impact on the audit plan and support the completion of an annual service assessment questionnaire.</p> <p>Deliverables and the timeline for audit activity will be agreed as part of the terms of reference and work programme, which will be shared with management. Where information is delayed or not provided during audit activity, we reserve the right to issue a report specifying the impact of gaps in evidence and the assurance level provided will reflect this.</p>
<p><b>Audit planning and reporting</b></p>	<p>We will produce an outline annual plan reflecting the Council’s aims, objectives, and associated risks and in consultation with senior management and detailed quarterly plans. These plans will be approved and reviewed on a regular basis by the Audit and Governance Committee, and changes discussed with the Executive Director of Finance. Updates and progress reports will be made to the Audit and Governance Committee in line with their terms of reference. An annual report is provided giving an opinion on the Council’s system of internal control. This opinion forms part of the Annual Governance Statement.</p> <p>Delivery of internal audit activity is guided by our engagement standards, which ensure:</p> <ul style="list-style-type: none"> <li>• Terms of reference are agreed in advance for each audit to ensure that all parties agree what the audit will cover. Reasonable notice is given about the start and process of each audit, and we will work to minimise disruption to operational teams. We reserve the right to make unannounced visits if significant control risks are identified.</li> <li>• Audit reports include an opinion on the adequacy of the control environment and the compliance achieved operationally in the area reviewed, detail actions for improvement and agree management responsibility and the timeline for improvement delivery. Audits resulting in limited assurance opinions are reported to the Executive Leadership Team and discussed with relevant operational managers at the Audit and Governance Committee.</li> </ul> <p>Assurance audits give an assurance assessment providing an indication of the relative impact of the service on the Council’s governance and effectiveness. Audit assurance levels are:</p> <ul style="list-style-type: none"> <li>• Control environment</li> </ul>

	<table border="1"> <thead> <tr> <th data-bbox="427 201 589 268">Assessed Level</th> <th data-bbox="589 201 1648 268">Definitions</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 268 589 323">Substantial</td> <td data-bbox="589 268 1648 323">There are minimal control weaknesses that present very low risk to the control environment.</td> </tr> <tr> <td data-bbox="427 323 589 379">Good</td> <td data-bbox="589 323 1648 379">There are minor control weaknesses that present low risk to the control environment.</td> </tr> <tr> <td data-bbox="427 379 589 435">Satisfactory</td> <td data-bbox="589 379 1648 435">There are some control weaknesses that present a medium risk to the control environment.</td> </tr> <tr> <td data-bbox="427 435 589 491">Limited</td> <td data-bbox="589 435 1648 491">There are significant control weaknesses that present a high risk to the control environment.</td> </tr> <tr> <td data-bbox="427 491 589 568">No Assurance</td> <td data-bbox="589 491 1648 568">There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li data-bbox="472 619 786 647">• Compliance assurance</li> </ul> <table border="1"> <thead> <tr> <th data-bbox="427 699 589 766">Assessed Level</th> <th data-bbox="589 699 1648 766">Definitions</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 766 589 852">Substantial</td> <td data-bbox="589 766 1648 852">The control environment has substantially operated as intended with no notable errors detected.</td> </tr> <tr> <td data-bbox="427 852 589 944">Good</td> <td data-bbox="589 852 1648 944">The control environment has largely operated as intended although some errors have been detected.</td> </tr> <tr> <td data-bbox="427 944 589 1000">Satisfactory</td> <td data-bbox="589 944 1648 1000">The control environment has mainly operated as intended although errors have been detected.</td> </tr> <tr> <td data-bbox="427 1000 589 1056">Limited</td> <td data-bbox="589 1000 1648 1056">The control environment has not operated as intended. Significant errors have been detected.</td> </tr> <tr> <td data-bbox="427 1056 589 1133">No Assurance</td> <td data-bbox="589 1056 1648 1133">The control environment has fundamentally broken down and is open to significant error or abuse.</td> </tr> </tbody> </table>	Assessed Level	Definitions	Substantial	There are minimal control weaknesses that present very low risk to the control environment.	Good	There are minor control weaknesses that present low risk to the control environment.	Satisfactory	There are some control weaknesses that present a medium risk to the control environment.	Limited	There are significant control weaknesses that present a high risk to the control environment.	No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	Assessed Level	Definitions	Substantial	The control environment has substantially operated as intended with no notable errors detected.	Good	The control environment has largely operated as intended although some errors have been detected.	Satisfactory	The control environment has mainly operated as intended although errors have been detected.	Limited	The control environment has not operated as intended. Significant errors have been detected.	No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.
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<p><b>Quality assurance</b></p>	<p>All audit documentation is subject to internal review to ensure consistency and clarity of reporting, and to identify areas for improvement in our internal processes.</p> <p>Internal Audit are governed by the Public Sector Internal Audit Standards and are subject to external assessment on a 5 year-basis.</p> <p>The Head of Audit and Risk Management reports periodically to senior management and the Audit and Governance Committee regarding our conformance to the Standards.</p>																								



Appendix 1: Three Lines of Defence Model (Source: Institute of Internal Audit)



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Audit Plans (WNC) Allocation 2023/24			Appendix 1	
<b>Forward plan</b>				
<b>Available days</b>		1,175		
<b>Balance</b>		640		
<b>Assurance Block / Audit Area</b>	<b>Period</b>	<b>Planned days</b>	<b>Scope / Notes</b>	<b>Rationale for inclusion</b>
<b>Governance</b>				
Partnerships: IAA - contract management	Q2	15	Management of IAA: financial and performance evaluation. Establish the contractual requirements and ensure compliance with performance monitoring and indicators. Consider financial position, including effectiveness of implemented management process	Partnership management identified as key strategic risk
Partnerships: IAA - disaggregation	Q2	10	Effectiveness of IAA disaggregation plan: progress against plan and target. Consider any delays, the impact and actions taken to rectify	Partnership management identified as key strategic risk
Annual governance statement / governance process	Q4	10	Supporting governance process development. Move to quarterly assurance if possible. <b>May require further audit allocation</b>	Annual assurance process
Sub-Total		35		
<b>Green and clean</b>				
Net zero strategy	Q2	10	Initial evaluation of strategy, mapping control mechanisms, key performance indicators and management process	Risk to corporate objective - Green and Clean
Wider strategy sustainability review	Q3	10	Consider which council strategies can impact green and clean agenda, and evaluate effectiveness in supporting the net zero outcome	Risk to corporate objective - Green and Clean
Sub-Total		20		
<b>Improved life chances</b>				
IT Systems: Carefirst - Ltd assurance follow up		10	Monthly meetings until actions complete; consider level of retesting required alongside system replacement programme	Limited assurance follow up

<b>Assurance Block / Audit Area</b>	<b>Period</b>	<b>Planned days</b>	<b>Scope / Notes</b>	<b>Rationale for inclusion</b>
Local area partnerships	Q2	10	Review set up of local area partnerships and development of delivery plans. Possible identification of further audits	Key Transformation and delivery mechanism
Contract management: leisure services	Q2	15	Evaluation of contract management - financial management, performance monitoring, forward contract plan	Concerns raised re. financial management of the service (James Smith)
Homelessness prevention		15	Process review of management of homelessness prevention policies and evaluation of effectiveness	Deferred from 2022/23
Temporary accommodation	Q3	10	Effectiveness of invoicing and purchasing process	Operational request (Jane Carr)
Schools		20	Supporting SFVS process with identified thematic school audits	Organisational requirement
Schools - individual audits	Q3/Q4	70	Individual school audits based on 5 year rolling programme; 10 days per audit	Organisational requirement
<b>Sub-Total</b>		<b>150</b>		
<b>Connected communities</b>				
Taxi licensing - Ltd assurance follow up		5	Monthly meetings until actions complete; consider level of retesting required	Limited assurance follow up
Home to school transport - Ltd assurance follow up		5	Monthly meetings until actions complete; consider level of retesting required	Limited assurance follow up
Contract management: parking - Ltd assurance follow up		5	Consider level of retesting required	Limited assurance follow up
Rural bus services		10	Review of bus service forward plans - how they are developed and performance monitored	Risk to corporate objective: Connected communities / Thriving villages and towns. Concerns raised by Cllr Irving-Swift
<b>Sub-Total</b>		<b>25</b>		

Assurance Block / Audit Area	Period	Planned days	Scope / Notes	Rationale for inclusion
<b>Robust resource management</b>				
IT related audit (restricted) - Ltd assurance follow up		10	Monthly meetings until actions complete; quarterly update following that to ensure that disaster recovery process being effectively implemented	Limited assurance follow up
IT related audit (restricted) - Ltd assurance follow up		10	Monthly meetings until actions complete; quarterly update following that to ensure that cyber security process being effectively implemented	Limited assurance follow up
Medium term financial plan	Q3	15	Review of MTFP development with a focus on identification and management of financial pressures	Risk to corporate objective: robust resource management. External financial challenges
Transformation delivery	Q2	15	Review of effectiveness of transformation delivery monitoring. Potential identification of additional audit areas.	Risk to corporate objective: robust resource management.
Temporary staff: non-Opus / long placements	Q2	15	Management of temporary staff by HR and operational management. Focus on non-Opus placements and placements over 12 months.	Risk to corporate objective: robust resource management.
Core financial systems	Q1	10	Identification and assurance mapping for core financial systems, with identification of more detailed audit requirements.	Risk to corporate objective: robust resource management.
Income management system	Q2	10	Support for the control development of the new income management system	Key new system implementation
Property management	Q3	10	Review of asset management arrangements, with potential support for the implementation of the new solution	Key new system implementation
DTI Telephony procurement - review	Q2	15	Review of procurement and project management for the new telephony system	Operational request following delays to the procurement and implementation
Sub-Total		110		
<b>Grant Certification</b>				
Indicative days		50		
Sub-Total		50		
<b>WNC Total</b>		<b>390</b>		

Assurance Block / Audit Area	Period	Planned days	Scope / Notes	Rationale for inclusion
<b>NCT Total</b>		<b>145</b>		



# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

14 June 2023

<b>Report Title</b>	<b>Internal Audit update to May 2023</b>
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<b>Report Author</b>	<b>Jen Morris, Head of Audit and Risk Management Jen.morris@westnorthants.gov.uk</b>
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### Contributors/Checkers/Approvers

<b>West MO</b>	Cath Whitehead	06/06/2023
<b>West S151</b>	Martin Henry	06/06/2023

### List of Appendices

Appendix 1 – Internal Audit progress report 2022-23

#### **1. Purpose of Report**

---

1.1 The purpose of this report is to provide an update on work delivered by the Internal Audit team up to 31 May 2023.

#### **2. Executive Summary**

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2.1 The Internal Audit service provides assurance that organisational controls are effective and adequately mitigating risk. We also provide counter fraud services, supporting the Council in preventing and investigating fraudulent activity.

#### **3. Recommendations**

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3.1 It is recommended that the Committee considers and endorses the position.

#### **4. Reason for Recommendations**

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- 4.1 The Audit and Governance Committee is responsible for:
- Providing independent assurance as to the Council’s governance, risk management framework and associated control environment
  - Providing independent scrutiny of the Council’s financial and non-financial performance and oversee the Council’s financial reporting process

**5. Report Background**

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5.1 We provide the Audit and Governance Committee with regular updates.

**6. Issues and Choices**

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**Internal audit and grant certification**

6.1 A detailed progress report for audit activity and grant certifications is attached at Appendix 1 and summarised below.

<b>Audit stage</b>	
Not started	-
Planning stage	-
Fieldwork in progress	7
Draft report	3
Completed	22
<b>Total</b>	<b>32</b>

6.2 Progress has slowed as we reached the end of the year, and we are monitoring delivery closely. Any audits which are not complete at the end of June will be carried forward to 2023/24 as they will not be eligible for inclusion in the 2022/23 assurance opinion.

6.3 Due to resource limitations during 2021/22 BDO were contracted to deliver audits. All BDO audit working papers have been reviewed and confirmed that the testing and assurance opinions are applicable to 2022/23.

**Limited assurance audits**

6.3.1 We have introduced proactive monitoring for all limited assurance audits, and we meet with operational managers to ensure that progress is being made to mitigate the control issues raised in the audit, and to ensure that the actions remain applicable and are being actioned.

6.3.2 Updates are provided below for limited assurance audits.

**IT related audits (restricted)**

Of 20 audit recommendations there are 3 ‘Essential’ that remain outstanding but are in progress. An action plan has been developed so progress can be monitored against the recommendations more easily, including regular discussion of the applicability and ongoing relevance of the actions. The service area has had some issues that have impacted on the



delivery of the audit actions, including staff changes and an increase in business-as-usual activity.

#### IT Carefirst

Of 8 recommendations, 4 are 'Essential'. One is not due, one is complete and two are outstanding. A meeting with the key personnel obtained an update on the service area and it was agreed to review the implementation dates and current status in light of other factors that may affect the actions required. We are waiting for a response.

#### Home to School transport

Of 11 recommendations, 5 are 'Essential'. We have a meeting booked with the service to evaluate progress following update meetings, as the service feels all actions have been completed.

#### Taxi Licensing

Of 13 audit actions, 2 were marked as 'Essential' and the due date is marked as September 2023. A meeting was held with the relevant manager to discuss the service area and to advise to review the dates to ensure target dates would be achievable. We are waiting for a response.

#### Contract Management – Parking

There were two recommendations for this audit, both have been completed.

#### **Audit actions**

6.4 All audit actions are currently being reviewed as part of our year end procedures, and a full update will be provided at the July meeting.

#### **Counter fraud activity**

6.5 Alongside our fraud investigations and monitoring, we are carrying out proactive fraud prevention activity, including engagement with a national Blue Badge Day of Action. This involved working with partners across West Northamptonshire to review eligibility and use of blue badges.

#### **7. Implications (including financial implications)**

---

##### **7.1 Resources and Financial**

7.1.1 There are no resources or financial implications arising from the proposals.

##### **7.2 Legal implications**

7.2.1 Internal Audit support the Council to meet its obligations under the Accounts and Audit Regulations 2015

**7.3 Risk**

7.3.1 There are no risks directly related to the service.

**7.4 Consultation**

7.4.1 No consultation is required

**7.5 Consideration by Overview and Scrutiny**

7.5.1 No Overview and Scrutiny comments

**7.6 Climate Impact**

7.6.1 There are not direct climate or environmental implications

**7.7 Community Impact**

7.7.1 There is no community impact

**7.8 Communications**

7.8.1 There are no recommended communications

**8. Background Papers**

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8.1 Previous Internal Audit reports to Committee.



# WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

**14 June 2023**

<b>Report Title</b>	<b>Audit and Governance Committee Annual Report</b>
---------------------	---

## **Appendices**

Appendix A – Audit and Governance Annual Report

### **1. Purpose**

---

- 1.1 The purpose of this report is to provide a report on the activities of the Audit and Governance Committee over the financial year 2022-2023.

### **2. Recommendations**

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- 2.1 It is recommended that the Committee considers the attached Audit and Governance Committee Annual report.

### **3. Issues and Choices**

---

#### **Information**

- 3.1 Attached at Appendix A is a report on the work of Audit and Governance Committee during 2022-2023.
- 3.2 The committee is requested to consider and comment on the attached report. The report will be presented to full council once it has been considered by the Committee.

### **4. Implications (including financial implications)**

---

#### **4.1. Policy**

- 4.1.1. There are no significant policy implications arising from this report.

#### **4.2. Resources and Risk**



**West  
Northamptonshire  
Council**

4.2.1 There are no financial and risk implications associated directly with this report.

#### **4.3. Legal**

4.3.1. There are no specific legal issues associated with this report.

#### **4.4. Equality and Health**

4.4.1. There are no specific equality and health issues associated with this report.

**Report Author: Martin Henry  
Executive Director – Finance  
S151 Officer**



West  
Northamptonshire  
Council

# **Audit and Governance Committee Annual Report**

**2022 - 2023**

[www.westnorthants.gov.uk](http://www.westnorthants.gov.uk)

## **Contents**

1. Foreword by the Chair of Audit and Governance Committee	3
2. Introduction	3
3. Meetings and Membership	4
4. Key Activities during 2022-2023	4
5. Training and Development Activity to support the Committee	10
6. Future Developments for 2023-2024	11

Annex A – Audit and Governance Committee Terms of Reference

# West Northamptonshire Council

## 1. Foreword from the Chair of Audit and Governance Committee

The Council, once a year, must receive the Audit and Governance Annual Report. It is a summary of the work carried out by the Audit and Governance Committee in monitoring and where possible improving the governance arrangements across West Northamptonshire Council.

It shows how the Audit and Governance Committee has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting.

I would like to take this opportunity to give thanks to Committee Members and Officers for their contribution in supporting the Audit and Governance Committee's work during the year in my role as Chair. The Audit and Governance Committee Members have challenged all officers with their respective cabinet members who came to present their reports. After each presentation, when appropriate, the Committee made suggestions and was pleased to see those implemented. This open and rigorous process gives the assurance to our citizens that our Council is effective and transparent.

Our committee looks also to future years. We can already acknowledge that 2023-2024 will be another testing time for all Councils. Therefore, how we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud. The Audit and Governance Committee is holding a unique position due to its impartiality to be able to challenge and scrutinise these activities. So with the support of Officers and my fellow Councillors, long may we continue to serve you all.

**Councillor Cecile Irving - Swift**

## 2. Introduction

This is the annual report produced by West Northamptonshire Council's Audit and Governance Committee. It is produced in accordance with best practice and shows that the Council is committed to working as an exemplary organisation, operating the highest standards of governance.

This report demonstrates how the Audit and Governance Committee has successfully fulfilled its terms of reference and has endeavoured to improve the Council's governance and control environments.

The purpose of the Audit and Governance Committee is to:

- Provide independent assurance as to the Council's governance, risk management framework and associated control environment;

- Provide independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process;
- Act as an advisory committee to the Council and the Cabinet on audit and governance issues.

The Terms of Reference for the Audit and Governance Committee can be found at **Annex A** of this report.

This report sets out the work undertaken by the Audit and Governance Committee for 2022 - 2023 and has overseen good progress in all areas under its supervision.

### 3. Meetings and Membership

During 2022-2023, the Audit and Governance Committee met on the following dates:

- 28<sup>th</sup> April 2022
- 22<sup>nd</sup> June 2022
- 28<sup>th</sup> September 2022
- 16<sup>th</sup> November 2022
- 25<sup>th</sup> January 2023
- 1<sup>st</sup> March 2023

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2022-2023 were (excluding substitutes):

Table 1: Audit and Governance Committee Membership 2022-2023 as at 31 March 2023:

Councillor	Member status	Party
Cecile Irving-Swift	chair	Conservative
Charles Manners	Vice Chair from 19/05/22	Conservative
Jamal Alwahabi	Member	Labour
John Shephard	Vice chair until 19/05/22	Conservative
Rosie Humphreys	Member	Liberal Democrats
Stephen Clarke	Member	Conservative
Jake Roberts	Member	Conservative
Danielle Stone	Member	Labour
Alan Chantler	Member from 29/09/21	Conservative

Senior officers from the Council are also present, including the Executive Director - Finance (S151), Assistant Director (Accountancy), Chief Internal Auditor and other officers dependent on the subject matter on the agendas in addition to external representation from the Council's External Auditors.

### 4. Key Activities during 2022-2023

#### Background



The Audit Committee's terms of reference covers three main areas:

- Audit
- Corporate Governance
- Financial Reporting

## **Audit**

### **Terms of Reference:**

#### **4.7.2 Audit:**

- (a) *To consider the annual report of the internal audit service and to consider a summary of actual and proposed internal audit activity and the levels of assurance over the Council's corporate governance arrangements;*
- (b) *To consider summaries of specific internal audit reports as requested;*
- (c) *To consider and approve the Council's arrangements for the internal audit service;*
- (d) *To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale;*
- (e) *To consider any high priority recommendations contained in internal audit reports or 'limited assurance' audit reports;*
- (f) *To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;*
- (g) *To consider specific reports as agreed with the external auditor;*
- (h) *To comment on the scope and depth of external audit work and ensure that it gives the Council good value for money;*
- (i) *Through the Executive Director of Finance liaise with the Audit Commission over the appointment of the council's external auditor;*
- (j) *Through the Executive Director of Finance commission specific pieces of work from internal and external audit if there is a perceived need expressed by Committee members and sufficient funding available for such work.*

### **Summary of audit agenda items at Audit and Governance Committee**

28<sup>th</sup> April 2022

- *Internal Audit 2021-2022 Update Report* The Committee's consideration of this update was needed to ensure the Council complies with the Public Sector Internal Audit Standards and the Accounts and Audit Regulations.
- *Draft Internal Audit Plan 2022-2023* The draft internal audit plan for 2022-23 was endorsed in order for internal audit resource to begin to be allocated for 2022-23.

22<sup>nd</sup> June 2022

- *Internal Audit Annual Report 2021-2022* A summary of the 2020/21 Annual Internal Audit Report giving opinion on the adequacy of the systems of control for WNC.

- *Internal Audit Update Report* A verbal update was provided to the committee and noted that they would receive a full written report at the next meeting. Members were advised that all fraud officers were counter fraud specialists and that the fraud prevention training would be provided again.

28<sup>th</sup> September 2022

- *Internal Audit Progress Report* The report is structured to provide: Progress of planned audits, a summary of follow up / recommendations, a summary of referrals (and outcomes) to the Counter Fraud team, a summary of any other work and a summary of resource issues / assurance.

16<sup>th</sup> November 2022

- *Internal Audit Home to School Transport Limited Assurance Report* The Assistant Director Highways and Transport delivered a presentation on the Home to School Transport Audit Report to address the progress made on the recommendations.
- *Internal Audit Update Report* The report is structured to provide: Progress of planned audits, a summary of follow up / recommendations, a summary of referrals (and outcomes) to the Counter Fraud team, a summary of any other work and a summary of resource issues / assurance.

25<sup>th</sup> January 2023

- *Internal Audit Update Report* Report to provide the detailed update on progress to complete the 2022/23 approved Audit Plan.

1<sup>st</sup> March 2023

- *Internal Audit Progress Report* Report to provide the detailed update on progress to complete the 2022-2023 approved Audit Plan.

## **Corporate Governance**

### ***Terms of Reference:***

#### ***4.7.3 Corporate Governance:***

*(a) Maintain an overview of all aspects of the Council's Constitution, including Finance Reservations in the Scheme of Delegation, contract procedure rules and financial regulations. Any proposed changes to the Constitution shall be referred to the Democracy & Standards Committee;*

*(b) Review any issue referred to it within these Terms of Reference by the Chief Executive, Section 151 Officer or any body of the Council;*

*(c) Monitor the effective development and operation of risk management and corporate governance within the Council;*

*(d) Approve and monitor the Council's 'whistle-blowing', anti-fraud and anti-corruption policies;*

*(e) Review and make recommendations on the Council's Annual Governance Statement;*

6 | West Northamptonshire Council – Governance and Audit Committee Annual Report

- (f) Consider the Council's corporate governance arrangements and make recommendations to ensure compliance best practice;*
- (g) Monitor the Council's compliance with its own and other published standards and controls; 52 West Northamptonshire Council Constitution – Approved on 18 May 2023*
- (h) Consider reports dealing with risk management across the organisation and those reports which identify key risks the Council faces, seeking assurance of appropriate management action;*
- (i) The Chair of the Audit and Governance Committee shall act as the Member Risk Champion;*
- (j) To have oversight the Council's Performance Management Framework so far as it relates to the Corporate Governance Functions of the committee;*
- (k) Such other matters as required by law or guidance to be the proper remit of the Audit and Governance Committee;*
- (l) To receive annually statistical reports and details of complaints received and investigated through the Council's Corporate Complaints Procedure which have resulted in payments or other benefits being provided by the Council in cases of maladministration;*
- (m) Receive on behalf of the Council reports issued by the Local Government Ombudsman into investigations that the Council's actions have amounted to maladministration causing injustice.*

### **Summary of governance agenda items at Audit and Governance Committee**

28<sup>th</sup> April 2022

- *Risk Register Deep Dive – Financial Resilience* The Audit and Governance Committee had the opportunity to consider and comment on the Financial Resilience report. The Committee concurred with the view of the S151 Officer that this risk is being effectively managed.
- *Strategic Risk Register* The Committee considered the Strategic Risk Register.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

22<sup>nd</sup> June 2022

- *Risk Register Deep Dive – Workforce Skills and Capacity* The Audit and Governance Committee had the opportunity to consider and comment on the report detailing the Workforce Skills and Capacity to address the risks in the Strategic Risk Register.
- *Audit and Governance Committee Annual Report 2021-2022* A summary of items reviewed throughout the year by the Committee. Members were advised that the terms of reference for each area had been set out as per the Constitution.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

28<sup>th</sup> September 2022

- *Risk Register Update Report* The Head of Audit and Risk presented the risk register and explained that the risk register would be designed for future meetings to

highlight the important areas and bring emerging risks to the Audit and Governance Committee, and this would be trialled for the way forward. The Audit and Governance committee noted the position of the risk register.

- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

16<sup>th</sup> November 2022

- *Strategic Risk Register* The Head of Audit and Risk Management presented the report and explained that the risk register update contained two areas, the current risk register and an update on the process. Since the last meeting there was a static position as the risk hadn't changed. The Committee considered the Strategic Risk Register and discussed the effectiveness of the current risk management process.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

25<sup>th</sup> January 2023

- *Regulation of Investigatory Powers Act (2000) RIPA* The Deputy Director of Law and Governance presented the report on the Regulation of Investigatory Powers Act 2000 (RIPA). It was agreed that a brief update be provided to each meeting of the Committee advising whether any action had been taken under the RIPA regulations.
- *Annual Governance Statement 2021-2022* The Head of Audit and Risk presented the Annual Governance Statement 2021-22 which formed part of the statutory accounts process. The Committee approved the Annual Governance Statement.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

1<sup>st</sup> March 2023

- *Risk Progress Update* The Head of Audit and Risk updated the committee and advised that there had been minimal changes since the last meeting. The intention was to split operational risks from strategic risks. The intended approach had been discussed with the Executive Leadership Team. The Committee considered and endorsed the approach to review and improve the current risk management process.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

## **Financial Reporting**

### ***Terms of Reference:***

#### ***4.7.4 Financial Reporting:***

(a) View the Council's annual statement of accounts and specifically consider whether appropriate accounting policies have been followed, and whether there are any concerns arising from the financial statements, or the audit which should be brought to the attention of the Council;

(b) Consider reports of the external auditor to those in charge of governance on issues arising from the audit of the accounts.

## Summary of finance agenda items at Audit and Governance Committee

28<sup>th</sup> April 2022

- *Northamptonshire County Council (NCC) External Audit results report 2020 – 2021*  
The Committee noted and considered the external Audit Results report and recommendations.
- *Approval of Northamptonshire County Council Statement of Accounts 2020-2021*  
The Committee noted and considered the external Audit Results report and recommendations.
- *Northampton Borough Council External Audit Results report 2020-2021*  
The Committee noted and considered the external Provisional Audit Results report and recommendations.
- *Approval of Northampton Borough Council Statement of Accounts 2020-2021*  
The Committee noted and considered the external Provisional Audit Results report and recommendations.
- *External Audit (Grant Thornton) Progress Report*  
The Committee's consideration of this update was needed to ensure the committee is informed of external audit progress in the current financial year as well as useful updates from Grant Thornton on relevant topics.

22<sup>nd</sup> June 2022

- *Housing Benefit and Council Tax Reduction Risk Based Verification*  
The Committee were asked to consider the report and Risk Based Verification policy for Housing Benefit and Council Tax Reduction new claims and to recommend the policy to Cabinet for approval.
- *External Audit Update (Grant Thornton)*  
The Executive Director of Finance read a short statement on behalf of Grant Thornton updating on the progress of their work.

28<sup>th</sup> September 2022

- *External Audit Update (Ernst & Young)*  
A verbal External Audit Update was given which highlighted the salient points.
- *Grant Thornton Audit Plan for Northamptonshire Pension Fund 2021-2022*  
Grant Thornton introduced the audit plan report for the Northamptonshire Pension Fund 2021-2022. Members were asked to note the presentation and the audit plan for 2021-2022.
- *Update on the Medium Term Financial Strategy, annual budget and capital programme*  
The Executive Director of Finance presented the report and explained

that the report provided an update on the medium-term financial strategy, annual budget, and capital programme. The Audit and Governance Committee considered and noted the contents of the report.

16<sup>th</sup> November 2022

- *External Audit Progress Report Grant Thornton* The committee noted the verbal update from Grant Thornton.
- *External Audit Progress Report Ernst & Young* The Audit and Governance Committee noted the verbal External Audit progress update.
- *Update on Budget Setting* The Executive Director of Finance provided a brief update on budget setting and explained that the budget setting process had been started, a star chamber process had taken place looking at the saving efficiencies of the various service areas.

25<sup>th</sup> January 2023

- *Pension Fund Annual Report and Statement of Accounts 2020-2021* The Executive Director of Finance presented the Final Annual Report and Statement of Accounts of the Pension Fund for the 2021-22 financial year, which had already been considered by external audit and the Pensions Committee. The Committee approved the Statement of Accounts and noted the Annual Report of the Pension Fund for 2021-2022 financial year.
- *External Audit Update Grant Thornton* The Committee noted the verbal update.
- *External Audit Update Ernst & Young* The Committee noted the verbal update.
- *Budget Setting Update* The Executive Director Finance advised that numerous briefings had been held for councillors regarding the budget. Consultation on the budget would close on 31<sup>st</sup> January 2023. The Committee noted the verbal update on budget setting.

1<sup>st</sup> March 2023

- *External Audit Update Grant Thornton* The Committee noted the verbal update.
- *External Audit Update Ernst & Young* The Committee noted the verbal update.
- *Budget Setting Update* The Assistant Director Finance advised that the budget had now been approved. The Committee noted the verbal update on budget setting.

## **5. Training and Development Activity to support the Committee**

Throughout the year, the provision of ongoing training to Members has been the cornerstone of developing new and existing Members. During the year, training and briefing sessions were given for:

- Strategic Planning Committee Training: Minerals and Waste
- Data Protection and GDPR
- Taxi & Private Hire Best Practice Guidance Button Training Webinar
- Code of Conduct Training NB: This training session was not for all Councillors
- Code of Conduct, Northampton Planning Members Training

- Code of Conduct, Daventry Planning Members Training
- Code of Conduct, South Northamptonshire Planning Members Training
- Code of Conduct, Strategic Planning Members Training

Briefings:

- Integrated Care System Briefing
- Planning Issues Briefing
- Code of Conduct, Daventry Planning Members Briefing
- Highways Contract Briefing
- Code of Conduct, Northampton Planning Members Briefing
- Planning Matters Member Briefing
- Planning Matters Member Briefing
- South Northants Employment Sites SPD Briefing
- Code of Conduct, South Northamptonshire Planning Members Briefing
- Code of Conduct, Strategic Planning Members Briefing
- Net Zero v Carbon Neutral Briefing
- Councillor Engagement Session – Customer Service Point Strategy
- Net Zero v Carbon Neutral Briefing
- Councillor Engagement Session – Planning enforcement – Session 1 (drop in session)
- Councillor Engagement Session – Planning enforcement Session 2 (drop in session)
- Treasury Management Briefing
- WNC Local Plan Briefing
- Cyber Security Briefing
- Planning Briefing
- Community Safety Briefing
- Housing and Planning Briefing Session
- Democracy and Standards Panel Members Training

In addition, members have access to a committee handbook which provides additional support / information.

## **6. Future Developments and Plans for 2023 / 2024**

Overall, the Audit and Governance Committee want to continue to develop and build on our current achievements. For 2023 / 2024 this will involve:

- Continuing to drive up standards of corporate governance;
- Continuing to equip existing and any new Members to fulfil the Audit Committee's responsibilities by providing or facilitating training on all aspects of the Audit Committee's remit;
- Assisting and supporting officers to promote the work of the Audit Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts;
- Increase training for members of the Audit Committee, ensuring members are best placed to scrutinise effectively the work of the Council and it's audit functions;

- Helping to further increase awareness within the Council of its governance arrangements, with particular emphasis on information and tackling fraud and corruption
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound; and
- Continue to develop the arrangements for Risk Management at the Council



**EXTRACT FROM THE WNC CONSTITUTION**

**4.7 Audit and Governance Committee**

Members 9: Quorum 3. Appointments will be made having regard to the rules on political proportionality.

**Purpose:**

4.7.1 The purpose of the Audit and Governance Committee is to:

- (a) Provide independent assurance as to the Council's governance, risk management framework and associated control environment;
- (b) Provide independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process;
- (c) Act as an advisory committee to the Council and the Cabinet on audit and governance issues.

**Terms of Reference:**

4.7.2 Audit:

- (a) To consider the annual report of the internal audit service and to consider a summary of actual and proposed internal audit activity and the levels of assurance over the Council's corporate governance arrangements;
- (b) To consider summaries of specific internal audit reports as requested;
- (c) To consider and approve the Council's arrangements for the internal audit service;
- (d) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale;
- (e) To consider any high priority recommendations contained in internal audit reports or 'limited assurance' audit reports;
- (f) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;
- (g) To consider specific reports as agreed with the external auditor;
- (h) To comment on the scope and depth of external audit work and ensure that it gives the Council good value for money;
- (i) Through the Executive Director of Finance liaise with the Audit Commission over the appointment of the council's external auditor;
- (j) Through the Executive Director of Finance commission specific pieces of work from internal and external audit if there is a perceived need expressed by Committee members and sufficient funding available for such work.

4.7.3 Corporate Governance:

- (a) Maintain an overview of all aspects of the Council's Constitution, including Finance Reservations in the Scheme of Delegation, contract procedure rules and financial

regulations. Any proposed changes to the Constitution shall be referred to the Democracy & Standards Committee;

- (b) Review any issue referred to it within these Terms of Reference by the Chief Executive, Section 151 Officer or any body of the Council;
- (c) Monitor the effective development and operation of risk management and corporate governance within the Council;
- (d) Approve and monitor the Council's 'whistle-blowing', anti-fraud and anti-corruption policies;
- (e) Review and make recommendations on the Council's Annual Governance Statement;
- (f) Consider the Council's corporate governance arrangements and make recommendations to ensure compliance best practice;
- (g) Monitor the Council's compliance with its own and other published standards and controls;
- (h) Consider reports dealing with risk management across the organisation and those reports which identify key risks the Council faces, seeking assurance of appropriate management action;
- (i) The Chair of the Audit and Governance Committee shall act as the Member Risk Champion;
- (j) To have oversight the Council's Performance Management Framework so far as it relates to the Corporate Governance Functions of the committee;
- (k) Such other matters as required by law or guidance to be the proper remit of the Audit and Governance Committee;
- (l) To receive annually statistical reports and details of complaints received and investigated through the Council's Corporate Complaints Procedure which have resulted in payments or other benefits being provided by the Council in cases of maladministration;
- (m) Receive on behalf of the Council reports issued by the Local Government Ombudsman into investigations that the Council's actions have amounted to maladministration causing injustice.

#### 4.7.4 Financial Reporting:

- (a) View the Council's annual statement of accounts and specifically consider whether appropriate accounting policies have been followed, and whether there are any concerns arising from the financial statements, or the audit which should be brought to the attention of the Council;
- (b) Consider reports of the external auditor to those in charge of governance on issues arising from the audit of the accounts.



# WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

14 June 2023

Report Title	External Audit Annual Audit Report 2021-22
Report Author	Martin Henry Martin.henry@westnorthants.gov.uk

## Contributors/Checkers/Approvers

West MO	Catherine Whitehead	06/06/2023
S151	Martin Henry	01/06/2023

## List of Appendices

### Appendix A – Auditor’s Annual Report on West Northamptonshire Council 2021-22

#### 1. Purpose of Report

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- 1.1. For our current external auditors to present their first Annual Auditor’s Report on West Northamptonshire Council for the financial year 2021-22

#### 2. Executive Summary

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- 2.1 The Audit and Governance Committee is required to consider the Annual Audit Report for West Northamptonshire’s first year of existence (2021-22). The report is produced by the Council’s external auditors Grant Thornton.

#### 3. Recommendations

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- 3.1 It is recommended that the Committee consider the external auditor's annual report on West Northamptonshire Council for the financial year 2021-22.

#### **4. Reason for Recommendations**

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- 4.1 For the Audit and Governance Committee to effectively carry out its role in line with its terms of reference.

#### **5. Report Background**

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- 5.1 The External Auditor's Annual Report on West Northamptonshire Council for the financial year 2021-22 is included at Appendix A and will be presented by the External Auditor to the Committee.

#### **6. Issues and Choices**

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- 6.1 No alternative options have been considered as the external auditor is required to communicate the report to the Committee.

#### **7. Implications (including financial implications)**

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##### **7.1 Resources and Financial**

- 7.1.1 There are no resource or financial implications arising from the report.

##### **7.2 Legal**

- 7.2.1 There are no legal implications arising from the report.

##### **7.3 Risk**

- 7.3.1 There are no significant risks arising from the proposed recommendations in this report.

##### **7.4 Consultation**

- 7.4.1 Not applicable

##### **7.5 Consideration by Overview and Scrutiny**

- 7.5.1 Not applicable

##### **7.6 Climate Impact**

- 7.6.1 Not applicable

**7.7 Community Impact**

7.7.1 Not applicable

**8. Background Papers**

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8.1 None.

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# Auditor's Annual Report on West Northamptonshire Council

2021/22

April 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 21/22 is the second year that we have reported our findings in this way across the sector. 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 summarized in the table below.

Criteria	Risk assessment	21/22 Auditor Judgment	
Financial sustainability	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 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



## Financial sustainability

Finance is at the forefront of both the Sector, and the Council's attention as future funding sources remain uncertain with the impact of Covid-19, the cost of living crisis and inflation are forecast to increase expenditure significantly. The Council reported an underspend for 21/22 of £0.1m despite some overspends in individual services which have been able to mitigated by non-recurrent sources of funding or off-set by underspends in other services.

The Council has set a balanced budget for 22/23 in line with legislation, with a net budget position of £342.2m. The assumptions used in developing this position are realistic although greater transparency in the assumptions within the budget could be achieved. Emerging risks in the sector around inflation and pay mean that these assumptions will need to be reviewed on an ongoing basis and the Council has mechanisms in place with which to achieve this and take action to respond as required, this has been evidenced in year by the implementation of spending restriction panels which have been effective at reducing in year pressures. The Council has incorporated a general contingency within its budget and has a Risk Reserve to assist the Council in addressing future uncertainties, alongside spending reduction measures.

The Council continues to forecast a financial gap in the medium term, which stands at £65m for the period to 25/26. This has increased since the prior year medium term planning and therefore further actions are required to respond to reduce the gap and respond to emerging pressures such as higher than anticipated inflation. These actions are expected to be developed in 23/24 as part of the budget setting process which commenced in October 22, as well as through the in-year budget monitoring process.

Delivery of the Council's savings programme each year is vital in ensuring it performs in line with budget. The Council delivered 71.7% of its savings plan in 21/22 and the undelivered savings have effectively been incorporated, and funded, as recurring pressures in the 22/23 balanced budget. Despite not achieving the programme in full the use of non-recurrent funding allowed an overall underspend position to be achieved. 22/23 savings performance to date has shown improvement although further work is required to ensure schemes currently in progress or partially delivered can be full realised at year end.

Although we have raised some improvement recommendations in our work we have not identified any significant weaknesses in the Council's arrangements for securing financial sustainability.



## Governance

The Council's risk management processes have been operating effectively throughout the year with a clear, collaborative and joined up approach to risk management being observed at all levels of the organisation. The Council effectively monitors the most likely and/or impactful risks the organisation could face via the Corporate Risk Register which overall has been fit for purpose, some improvements could be made to the format and oversight to ensure best practice. Management of strategic risks has been the focus of the Council's first year of existence with further work needed to ensure that operational service level risks are managed in an equally joined up and comprehensive way.

The Council have been well supported in their risk management process by their Internal Audit function, there is now an opportunity for the Council to externally assess the effectiveness of the function and embed lessons learned to achieve ongoing improvements.

An appropriate budget setting process was in place in both 21/22 and 22/23 which incorporates a strong level of engagement from a range of stakeholders, both internally and externally. The process used is the 'Star Chambers' process which is well established and has successfully supported a zero based budgeting approach and built in challenge and scrutiny. The Council now has the opportunity to develop the process further in 23/24 by including scenario planning and sensitivity analysis.

A Public Interest report inherited from Northampton Borough Council has been appropriately responded to, particularly in relation to the sale of land at Sixfields during 21/22. The Council faces a Judicial Review as a result of the transaction which is yet to conclude. We have considered the governance arrangements in respect of the sale process and are satisfied that the decision went through the appropriate Member approval process, with supporting advice from statutory officers.

Although we have raised some improvement recommendations in our work on governance, we have not identified any significant weaknesses in the Council's arrangements.

# Executive summary



## Improving economy, efficiency and effectiveness

The Council effectively reports on its non-financial performance and seeks to adapt the arrangements, iteratively, in order that they are fit for purpose and of the most benefit to decision makers. Further improvements could be made to the format of the reporting to ensure that attention is sufficiently drawn to underperforming services and actions being taken to respond can easily be tracked. The Cabinet has received the Council's KPI dashboard sufficiently regularly in 21/22 and the level of discussion of the metrics by members have been effective. By year end performance overall is positive. The Council undertake some benchmarking against other organisations to provide decision makers with some context to the performance being observed however this is limited and mainly informal and as such a more widespread approach to benchmarking across the organisation would be beneficial in informing decisions.

The Council has a significant partnership in the Northamptonshire Children's Trust who deliver Children's Services, with the exception of Education Services, on behalf of the Council. There are robust governance arrangements in place which are formalised and strictly adhered to by both parties. There is an appropriate flow of performance information between the Council and the Trust as a result of the governance structures set up outside of each of the organisations own committees structures. Some minor improvements have been noted in the format of finance reporting, oversight of non-financial information within the Council and sufficiently updating the Council Cabinet but overall the arrangements are strong.

# 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 21/22

Delays in completion of the 20/21 audits for predecessor bodies has delayed the production of the Councils draft 21/22 accounts and therefore our audit of them. We therefore issue our Annual Auditors Report in draft form pending completion of the audit.

## 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

No such issues identified

## 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.

No such issues identified

## 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.

No such issues identified

## Advisory notice

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

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

No such issues identified

## 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.

No such issues identified

# 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).



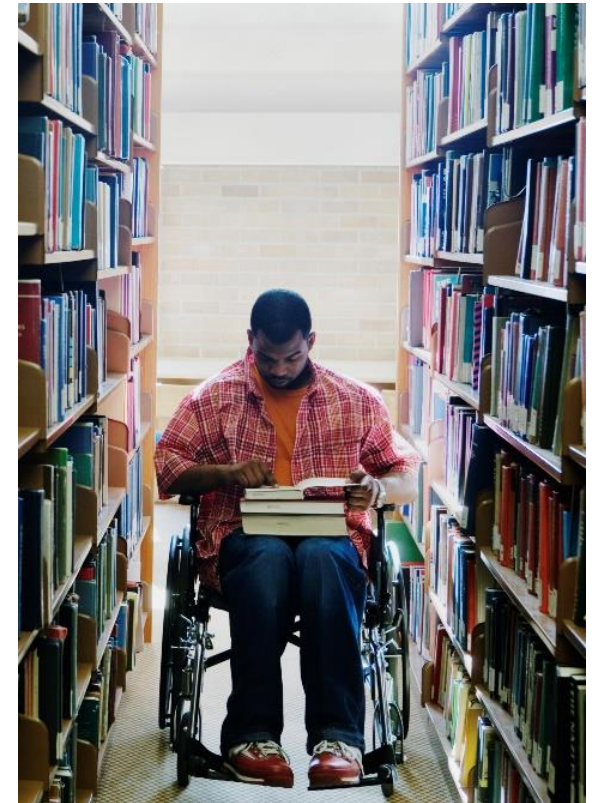
## Governance

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 8 to 40

# 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.

## 21/22 Financial Planning Arrangements

The Council was established as a result of a local government reorganisation exercise which has seen the disaggregation of the Northamptonshire County Council services and budget and the aggregation of the services and budgets of the respective district and borough councils in the geographical areas to establish, from the 1<sup>st</sup> April 2021, two new unitary Councils – West Northamptonshire Council and North Northamptonshire Council.

The Shadow Executive was put in place to ensure that appropriate steps were taken to allow West Northamptonshire Council to be ready for its formal creation on 1 April 2021, to provide governance functions to the Council and ensure that strategic leadership was in place in creating the newly established Council. In addition to the Shadow Executive, a Shadow Authority was created to fulfill the role of Full Council prior to the Council coming into being and therefore allow statutory decisions to be effectively signed off in a timely manner. This included key policies and the final approval of the 21/22 budget on 23rd February 2021.

The first draft Revenue Budget for 21/22 and Medium-Term Financial Plan for West Northamptonshire Council was initially presented to the Shadow Executive 5<sup>th</sup> January 2021 before the final budget was produced and received at the meeting on 12th February 2021 prior to the start of the 2021 year. The Shadow Executive and Authority were effectively supported through the budget setting process by the Shadow Overview and Scrutiny Committee who reviewed and challenged all aspects of the budget for 21/22 twice in January 2021. This demonstrates that there was an iterative process to budget setting prior to its finalisation with multiple opportunities for members to scrutinise and challenge the budget and amendments to be made as required.

The announcement of individual authority allocations in the Provisional Local Government Finance Settlement was announced on 17th December 2020 and the Final Local Government Settlements published on 4 February 2021. As the date of the Shadow Executive where the final budget was approved was 12th February and there is a lead in time for publishing papers the final budget does not take account of the final settlement.

The quarterly budget monitoring throughout 21/22 has provided the opportunity for the budget to be updated for new information, including the financial settlement, there was also very limited difference in the two announcements that pertained to the Council.

Residents, local partners and other stakeholders have also had the opportunity to provide feedback on the budget via a four-week consultation period and there is evidence of ongoing engagement with elected members throughout the process. Even though the Council Finance function was not fully established at the time of the 21/22 budget being set, with finance teams at predecessor Councils required to fulfil their existing obligations, the Council was able to successfully set a budget in line with the expected timeline and undertake a review process. The process was effectively led by the Council's current Executive Director of Finance throughout, who effectively liaised with the predecessor Council's to create an appropriate budget. The 21/22 process used a roll forwards approach to the budget, using the prior year Council's budgets as a starting point and updating for known pressures, funding announcements and required savings. Given the resource constraints being faced this was considered the most appropriate approach for the 21/22 budget. Given that the Director of Finance has remained in post since the 21/22 budget was set this means a level of retained knowledge has been taken forwards into the 22/23 process and ability to make improvements following lessons learned, this has led to positive changes in the 22/23 approach to setting the budget noted below and in our governance section.

## 21/22 Financial Position

As a result of the 21/22 budget process the Council was able to set a balanced budget for 21/22 in line with Local Government legislation, this resulted in a net revenue budget position for 21/22 to be achieved of £326.07m fully funded by government grants per the Local Government Settlement, Council Tax, Business Rates and fees and charges for Council services.

The robustness of the 21/22 budget setting process and the appropriateness of the assumptions developed through this process is evidenced by the positive outturn position achieved for 21/22 which was a small underspend of £0.1m and demonstrates that the roll forwards approach was appropriate based on the outcome achieved. This position was made up of both over and underspends which offset each other and therefore does demonstrate that there are some areas where the Council needs to focus its attention in 22/23 to control overspends. The most significant directorate overspend was in Adults, Communities and Wellbeing which overspent a by £2.06m as a result of independent care budgets impacted by increased referrals as well as cost pressures. There were some continuing Covid-19 pressures but these were able to be funded through Covid-grant funding. There is a strong correlation between the overspending directorates in 21/22 and the savings programme attributed to each directorate in 22/23. In addition spending restriction panels have been used in 22/23 to embed deeper review, approval and control of expenditure across directorates. The restrictions or overspends have not impacted quality as the performance reported within our Economy, Effectiveness and Efficiency (3E's) work has not noted significantly underperforming metrics in these areas.

Consideration has been given to the level of cash reserves the Council holds. Strong cash reserves are indicative of a sustainable financial position for the future. The financial monitoring, cashflow and accounts of the Council show that the Council will enter 22/23 with £74.2m in cash and cash equivalents, although given that the predecessor Council's accounts are subject to audit and payments for shared services between the two Councils are still in discussion this is liable to change. The Council has arrangements in place to monitor and update the cash position via daily cashflow monitoring. The Council use the Treasury Live system which updates cashflow information in real time as well as checking manually to the Council bank account information. As such, mechanisms are in place to update and re-forecast cash balances in real time as new information becomes available. The cash forecast for the end of 22/23 and 23/24 continues to demonstrate volatility and the Council are taking measures to respond as soon as the forecast liquid cash balance falls below approximately £35m. Current mitigating actions include discussions to finalise inter-authority payments and grant repayments to smooth cashflows over a period of time and reduce the impact on a certain month.

### 22/23 Budget

The Council moved from a roll over budget approach in 21/22 to a zero based budget approach in 22/23 to try and mitigate as much of the emerging medium term financial gap and risk as possible. This approach involves developing a budget from scratch each year with little to no use of prior/existing budgets. It is time and resource intensive but maximises the opportunity to remove unnecessary spend and identify greater efficiencies as it does not bring legacy pressures/overspends into the current budget year.

The zero based budget exercise has been supported by strong budget monitoring, service intelligence and benchmarking to ensure that the Council are proactive in dealing with emerging short and long-term issues and mitigations. In undertaking this approach the Council have used the 'Star Chamber' approach which is a well established methodology in the sector and ensures a deep scrutiny of each directorate and encourages development and ownership of budget setting, income generation and savings development at directorate level.

The 22/23 budget was received and reviewed by members at least 4 times through the Overview and Scrutiny Committee meetings and Star Chamber process for individual directorates. This reflects the attention required in undertaking zero based budgeting for the first time, disaggregation process and the uncertain funding arrangements in the future.

**Improvement recommendation - The Council may wish to review the frequency with which the Scrutiny Committee review the budget in future years to ensure that the use of resources is efficient and balanced with strong governance arrangements.**

As a result of this process, explained in greater detail within the Governance section, the Council finalised its 22/23 budget and medium term financial plan which was approved by Council 24<sup>th</sup> February 2022. The budget produced is balanced, with a net revenue position of £342.2m (£753.4m including Dedicated Schools Grant - DSG funded budgets) and therefore is an increase on the 21/22 budget as a result of increases in council tax, local government settlement and development of assumptions.

In developing a zero based budget would expect the Council to develop assumptions in relation to key sources of funding (from Council Tax, Business Rates, Fees and Charges and Grants), key source of expenditure (Inflation, Adult Social Care and Pay), Savings and Efficiencies and Reserves each year during the budget setting process. Review of the budget and Medium Term Financial Plan (MTFP) has noted that each of these has been considered in line with expectation.

Council tax has been set at the maximum permissible amount of 2.99% (1.99% increase in the Core Council Tax as announced in the provisional Local Government Finance Settlement and 1% increase for the Social Care precept) is appropriate as this remains the most stable and predictable form of income within the local government sector. All grant income included in the budget is as per the local government settlement announcement and reflective of national changes in funding. Fees and charges have been reviewed in full as the Council seeks to harmonise charges across the patch (except for those fees set by statute). This exercise has generated an additional £1.2m in income compared to 21/22 which has predominantly been achieved through green waste and building control. As such the Council has balanced the need to generate income with the need to achieve its priorities and benefit residents, evidenced by the fact that many fees have not increased year on year.

In relation to expenditure assumptions in the budget inflation, pay and social care costs are the areas we would expect to have the largest impact to the spending power of the Council, and all have been sufficiently considered and included within the 22/23 budget at increased rates from 21/22. Inflation, in particular, is a pressure that emerged throughout the development of the 22/23 budget and has continued to rise throughout 22/23 to date. The 22/23 budget included £42m across all directorates related to inflation, service pressures and service investment in total as well as contingency of £9.7m set aside to help manage the risk and volatility of emerging pressures such as inflation should they occur at higher rates than planned.

Although inflation has clearly been considered in the development of the budget for 22/23 it is unclear what the assumed inflation rate used is. Inflation has continued to rise since the budget was approved in February 22 and therefore although inflation is built into the budget, a contingency set aside and risk reserves, it is unclear to members if this is sufficient to cover the actual risk presenting itself in 22/23. Budget scrutiny took place at the Corporate Overview and Scrutiny sessions in January and February 22 and the minutes have not documented detailed discussion on inflation or specifically the level included.

**Improvement recommendation – the Council may wish to review the budget setting process to ensure that specific assumptions, such as inflation, used in developing the budget position are transparent throughout. Where specific assumptions deviate significantly from the original estimate targeted discussion at Scrutiny Committee should be encouraged.**

The budget is designed around and allocated to the Council's directorates, and there is a clear link between the directorates at the Council and the priorities in the Corporate Plan approved at the start of the 21/22 financial year. As such the budget effectively supports delivery of the Council's objectives. At the start of 22/23 the Council has reviewed its directorate structure and developed an additional directorate for Communities and Opportunities which has taken responsibility of community and education services from their respective directorates in order for more streamlined and relevant decision making to take place. The Place, Economy and Environment Directorate has been unaffected by the reorganisation but is a directorate which, by the nature of the services it provides, is closely aligned to multiple of the Council's priorities. Within the 22/23 budget this directorate has the second largest agreed budget at £87m and therefore the budget represents the responsibility being faced effectively. In addition, overall directorate budgets have increased from 21/22 by 5% and therefore showing investment in services with the largest £ increase being in Place, Economy and Environment to reflect the level of responsibility for the Council vision. Given the wide-ranging nature of the services provided from this directorate, the Council will need a mechanism to monitor the sufficiency of managerial, technical and operational capacity in place to secure desired outcomes.

**Improvement recommendation – the Council may wish to consider how it monitors and reports on the sufficiency of capacity within the Place, Economy and Environment Directorate.**

Each of the Council's directorates is responsible for a range of discretionary and statutory services. The sector wide financial environment is becoming more challenging and uncertain, with government funding unknown past 22/23 because of one year settlement announcement each year and many prior year sources of funding related to Covid-19 not recurring past 21/22 despite the pressure of the pandemic continuing to have an impact. As a result, the Council may consider reducing level of discretionary services it provides, or delivering them under alternative models, in the future to ensure it is as cost effective as possible. Currently the design of the budget does not provide decision makers with a clear distinction between discretionary and statutory spend to assist them in reviewing the resources the Council allocates to discretionary services which would be vital in informing future decisions on service provision.

The revenue budget monitoring in year and the year end outturn reporting does include more granular detail on the performance of individual services which is beneficial in informing such decisions.

**Improvement recommendation – The Council should consider aligning the budget and budget monitoring to be designed around individual services to easily distinguish the resources being allocated to discretionary and statutory spend and the outcome of that investment**

The budget includes a Section 25 Report of the Executive Director of Finance (Section 151 Officer) which provides a conclusion on the robustness of estimates and adequacy of reserves for the coming financial year budget, to make this conclusion there should be an effective consideration of the financial and operational risks facing the Council. This confirms that there is deemed to be adequate reserves and robust estimates used in 22/23. The budget is based on the best information available at the time given the audit of the predecessor councils positions were not complete. As the disaggregation process completes the Council will need to revisit and reconsider that alignment between the budget and Council priorities is maintained.

The Section 25 Report acts as a mechanism to set out the risks being faced at the outset of the budget so their emergence and necessary actions can be monitored throughout the year. Risks that have been considered embedded within the budget, as opposed to a standalone section of the budget, are the demand led pressures in Adults and Children's Services, outcome of the audits of the accounts of predecessor Council and Covid-19 as the most significant.

Having reviewed reporting at similar Council's. where the inclusion of risk in the budget setting process is more obvious. a greater number of other common risks have been observed including, but not limited to, DSG uncertainty, under delivery of savings, volatility of funding sources, overspending capital projects, treasury management performance and pension fund performance. These are all relevant to the Council's services and discussion with officers confirms that these have been embedded within the budget process, however they are not explicitly set out for consideration by decision makers and those approving the budget.



**Improvement recommendation – the Council should consider explicitly stating the risks the Council faces in achieving its budgeted financial position in order to allow decision makers to have a full awareness of these, track their progress as they emerge and take action to respond accordingly in a timely manner.**

Where risks to budget achievement are identified in year that are deemed to be significant they are brought to members attention in the budget monitoring reports received by the Cabinet, evidence of inflation and demand led service pressures have been highlighted in these reports as observed in 22/23 to date.

Financial performance from Q1 22/23 demonstrates that risks that could impact the financial position at year end are emerging in practice. The original budget included contingencies of approx. £10m to help to deal with any unexpected costs pressures the authority may face and it is clear that at this stage in the year these will need to be fully utilised.

With the use of the contingencies and the delivery of management actions the net position of the authority is a forecast overspend of £7.6m at Q1 which represents a forecast variance of 2.2% of the total net budget of £342.3m. A variance of 2.2% of the net budget is within acceptable tolerances for the Council and is not considered significant, however further action is required in order to ensure that the challenges do not escalate. The Council took action immediately in response the emerging risk by creating spending restriction panels to ensure that all expenditure over £500 has a supporting business case and is considered and approved by the Chief Executive, Director of Finance and the Assistant Director of Finance. All vacant posts will also be considered by the panel to determine if they are essential and will only be approved once this is evidenced. This has had a positive impact reducing the forecast overspend to £3.7m at month 8. The direction of travel is positive, this suggests that with ongoing actions that the year end position could still be achieved especially given that the General Fund minimum reserve set aside includes £5m of contingency for the purposes of reducing year end pressures should it be required.

**Disaggregation Process**

West Northamptonshire Council is a newly established unitary authority which has been developed to fulfill the duties of and provide services of pre-existing district Councils in the geographical area and elements of the Northamptonshire County Council. These Councils have ceased to exist upon the creation of West Northamptonshire Council (and the also newly established North Northamptonshire Council). Therefore, a key requirement of formulating the 21/22 draft budget was to develop a process for allocating the existing Medium Term Financial Plans of the predecessor organisations to the new Council. This was a twofold process of aggregating the budgets of the existing District councils and the disaggregation of the County Council's budget into the new Unitary authority. A clear methodology was developed splitting the County Council budget between West and North Northamptonshire based on postcode/residence of service users, geographic location of where the service is delivered from, cost drivers for a specific budget, population demand for a service, funding formula and staffing/payroll cost for each service. Detailed analysis, in particular, took place on Adults Services which are significant in terms of their cost/budget and their complexity and therefore demonstrated an appropriate targeting of resources.

However, it should be noted, that in spite of this work it appears that the disaggregate budget for Adults did not accurately reflect the level of demand for the service and therefore this has been a particular pressure in 2022-23.

Some services were unable to be disaggregated prior to vesting day of the new Council and as such, in order to protect both Councils and their service users from any gaps in service provision, shared service arrangements were put in place for some services. These arrangements have involved the Council both providing and receiving certain services from North Northamptonshire Council and, for the most part, have been supported by formalised inter authority agreements. These agreements set out the terms for delivery of the service and split of the funding based on the above disaggregation principles. The funding mechanism agreed in all cases is relatively simply, with Council receiving the service paying their share of the the assigned County Council budget for that service to the Council delivering that service on their behalf. At the end of 21/22 those payments have been included in the Council accounts as accruals as the agreement of those payments remains in discussion between the two Councils. This therefore does assert some pressure and risk in the 22/23 budget and 21/22 financial position.

However, despite the challenges, communication channels between the Council's remain open to allow these discussion to be brought to a conclusion. Now that the Councils have been established for greater than one financial year there is the opportunity for the shared service arrangements to be revisited to ensure that services are being delivered for the benefit of residents, align with each Council's priorities and ascertain whether the arrangements remain fit for purpose or whether the uncertainties in relation to the payment mechanism could be resolved using a different delivery model.

There will be an increased focus on transformation and the delivery of budgeted savings in 22/23 as the Council, rightly, seeks to deliver their own priorities. The Council has funds set aside for known pressures and risks in the 22/23 budget and an additional contingency of around £10m. The Council is facing multiple national level pressures, such as inflation, cost of living and pay awards. Therefore local pressures, such as delays in completing the disaggregation process, will likely result in this contingency not being sufficient to respond to all challenges. Early 22/23 budget monitoring suggests that this contingency has already been fully applied to known pressures early in the financial year.

**Improvement recommendation – in order to reduce pressure on Council resources for the remainder of 22/23 and the medium term the Council should priorities completing the disaggregation process in 22/23, including review of shared service arrangements to ensure they remain fit for purpose**

Aggregation of the three district Councils budgets has been a less challenging process, the initial aggregated position was established based on the 2020-21 approved revenue budgets of each Council and amalgamated, which was then reviewed and updated to incorporate budget proposals to develop the 21/22 budget. The aggregation of the three District and Borough councils' budgets together with the disaggregated County Council position for the North was undertaken under the oversight of the Disaggregation Task and Finish Group and West Northamptonshire Shadow Executive Committee.

A specific risk has been acknowledged in the 22/23 budget related to the predecessor Council's accounts still being subject to audit which could impact forecast reserve, liabilities and contingencies as this work is still ongoing at the time of writing. The level of reserves currently forecast should provide the capacity to manage this risk and no significant issues have yet been identified in the sovereign district and borough accounts.

## Treasury Management

The Council set its treasury management strategy annually as part of the budget setting process. Following approval of the strategy monitoring of treasury management activity is undertaken twice a year via a mid-year report and an annual report to Cabinet.

The strategy takes into account the impact of the Council's Medium Term Financial Plan (MTFP), its revenue budget and capital programme, the balance sheet position and the outlook for interest rates. Particularly it focusses on the borrowing limit to fund the capital programme, investment limits and Minimum Revenue Provision (MRP). All of which impact the budget and MTFP on an ongoing basis.

At 21/22 year end the Council was maintaining an internal-under borrowed cash position of around £300m between 21/22 and 24/25. This means that the capital borrowing need (the CFR) has not been fully funded with loan debt. The Council could therefore, if it needed to, reverse this internal borrowing position to fund the underlying capital borrowing requirement entirely from external borrowing, so bringing additional cash back into the Council. However, raising additional external borrowing brings with it increased interest costs, so the Council's strategic position is to minimize these costs where possible. This is a positive position to be in as it means that the Council has options to explore but is not over exposing itself to fluctuating interest rates by reaching its borrowing limit, this is mitigating this type of risk and balancing with liquidity risk of its cash position. The Council has produced a cashflow forecast up to March 2024 which, despite an overall cash outflow projected, would support the council until additional solutions are identified but after this stage Council cash reserves would be minimal. The cashflow forecast is an iterative document which is updated for new information, work is still ongoing to deduce the payments and receipts which pertain to the Council as a result of the aggregation and disaggregation process and therefore the true medium to long term cash picture is uncertain. Based on the currently available information there are no immediate, short term concerns but more accurate forecasting is required to inform cash backed decisions. This supports our improvement recommendation in prioritizing the disaggregation process

The CFR has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent while investment returns are low and to mitigate against counterparty risk. The Council is therefore planning on maintaining an under borrowed position. This approach is supported by the Council's Treasury Advisors.

The Council's capital expenditure plans are the key drivers of treasury management activity as the Council borrows first and foremost to fund capital plans. For 21/22 to 24/25 the capital programme is around £181m (GF only not HRA) of which £61m needs to be borrowed over that period. We would suggest that given the capital spend is being predominantly (60%) funded by grants or other external sources that this reduces the risk the Council is exposed to from over gearing or fluctuating interest rates and therefore is sufficiently mitigated in the medium term. The Council is not overly reliant on one source of funding in its treasury plan or its capital programme, capital grants being the main source which are announced in advance and can be included in capital planning with a lower level of risk and no associated interest.

The investment strategy confirms that the Council's investment priorities will be security first and then portfolio liquidity second. Return was not noted as a priority and therefore we would suggest that this is a very prudent policy but given the financially challenging environment this may want to be considered, albeit as a lower priority than security and liquidity. The Council can aim to achieve an optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

## Medium Term Financial Plan (MTFP)

The Council updates its MTFP annually during the budget setting process for the next year. This involves updating for the future funding landscape (known or forecast) and estimating future expenditure forecasts using 22/23 budget as a baseline, expected pressures and savings developed that impact future years are also built into the MTFP as part of this process.

The MTFP that was developed as part of the 21/22 budget process covered a 4-year time frame and forecast a financial gap of £39.5m for the 3 years between 22/23 and 24/25, with a balanced budget set for the 21/22 year. The MTFP set as part of the 22/23 budget setting process also covers a 4-year horizon as it was extended as part of this process to ensure that the Council can effectively plan ahead on a consistent basis. The total financial gap for the 4 year period as a result of this update is £65.8m which is substantial increase since 21/22, despite balancing the budget for 22/23 the increase has been caused by additional unavoidable budget pressures across each year of the MTFP which have not been able to be fully mitigated by savings, income generation, reserves or contingency for future years as these are uncertain at the time of budgeting.

We would suggest that budget gap is significant if it is greater than 5% of the expenditure requirement in a given year, for 23/24 this is 2%, for 24/25 is 2.99% and 25/26 3.3% as such the gap is not suggestive of a weakness in arrangements but will require close monitoring and focus on transformation in order to generate the necessary savings and income generation to close the gap rather than seeing it increase.

The reserves strategy is reviewed as part of the budget setting process each year and as a result of initially planned of reserve usage of £22.7m in 22/23 the Council has been able to produce a balanced budget, this is pre-planned usage for specific purposes and although it represents just over 20% of reserves this is in line with the prior year usage which was also for its earmarked purposes. Usage of 20% each year or around £20m would mean reserves would last for 5-7 years and as such the medium term position of the Council could be supported as a last resort, although it would be an unsustainable practice to use reserves to consistently fund budget pressures it does provide the Council with the temporary flexibility to use reserves while alternative solutions to pressures are identified. The strategy also includes plans to protect £40m of the General Fund reserves and therefore the Council would be highly unlikely to be in a position where reserves were diminished in full in the medium term.

The Council are prioritizing closing the medium term financial gap and actions to close the gap in 23/24 and beyond are expected to be formed as part of the 23/24 budget setting process. This commenced in September 22 with groups/service leads assessing the gap and developing potential savings plans to respond. As such the actions in place to address the gap are not included within the 22/23 budget and MTFP reported to the Cabinet and Full Council because they were not developed at the time of reporting.

The monthly budget monitoring reporting to Cabinet includes a summary of the value of actions/mitigations identified to address overspends in year but includes limited information on the context of these actions. A detailed list of management actions is recorded and shared at directorate level which supports the budget monitoring.

This is not provided within the budget monitoring so as not overwhelm decision makers with information which may hinder effective decision making. The information is readily available and could easily be provided to members as an appendix or summarized in the report so they have chance to challenge and discuss, without being overwhelmed, given the uncertainty associated with financial sustainability.

**Improvement recommendation – the Council should consider ways it can update its budget, MTFP and budget monitoring to ensure that there is a high level action plan available to members.**

Development of savings, efficiencies and income generation plans are vital to closing the financial gap over the medium term. A total of £15.25m efficiencies and £4.06m income generation schemes are included in the budget for 22/23, with an additional £6.46m across future years. Therefore resources are more focused on savings that will close the financial gap on a one year basis than those in future years.

**Improvement recommendation – The Council should prioritise identifying a greater proportion of savings which impact multiple financial years, when developing savings plans as part of the budget and MTFP process.**

The zero based budgeting approach supported by the 'Star Chamber' methodology has been implemented for 23/24 the budget setting also in order to identify new savings schemes, efficiencies and income generation as well as to remove the impact of any overspends from 22/23 being rolled forwards. This should positively impact the medium term position updated as part of this process.

Employees costs account for a significant proportion of the Council's expenditure and increases in inflation and pay awards are expected to have an impact on these costs in 22/23 and beyond. Therefore, to ensure that the budget can reliably reflect the full cost of the workforce we would expect that the Council to have developed a Workforce Plan or Strategy to forecast a future expectation of the establishment based on Council priorities. The Council developed and approved its People Strategy in February 2022 and the focus on this strategy is on the non-financial elements of its workforce such as development, performance and wellbeing related actions. This an overarching strategy focused on vision however the Council have yet to progress using this strategy to develop a detailed workforce plan which will then inform a detailed budget and funding required for staffing levels in the medium term.

To ensure that workforce has been effectively incorporated into the budget while a workforce plan is developed the Finance Team have worked with HR and directorates via Staffing Robustness Sessions to ensure that for each service the lead for that service could present their current establishment per the HR system, their staff budget and identify any discrepancies for which an action plan was developed. These session were undertaken in May and June 22 for the whole organisation and provide some assurance that while there is currently no workforce plan there are some arrangements in place to ensure the current establishment is fully funded. The workforce plan will be required to ensure future service developments and establishment can be funded and contribute to the reliability of the budget and MTFP.

**Improvement recommendation – the Council should priorities the development of a Workforce Plan to translate the current vision per the People Strategy into an affordable future forecast of the establishment required to deliver Council priorities.**

### Savings

Incorporated into the balanced budget for 21/22 was the requirement to achieve cost savings, income generation and efficiencies totaling £13.4m and overall the Council has delivered £9.6m of these at year end, which represent a delivery rate of 71.7%. Key drivers that have impacted those undelivered savings are the longer term effect of the Covid pandemic on project delivery and implementation, alongside the further review of aggregated savings targets as part of the base budget review. Where the underlying pressures causing the non-delivery are considered to be recurring in nature these have been built into the 22/23 medium term financial planning process and so the balanced budget for 22/23 already includes these challenges in the base budget and are not adding to the savings requirement each year.

Despite savings under-delivery the Council has underspent overall on the 21/22 breakeven budget to achieve a £0.1m underspend and as such the savings performance has not negatively impacted financial sustainability.

The 22/23 budget includes £19.3m of savings, efficiencies and income generation schemes to balance the budget. The position at month 6 is positive with schemes progressing well - 17% blue rated (achieved) and 56% green rated (on track to deliver) and minimal are amber rated which have some challenges but are achievable (2.3%). This is an improvement on the previous quarter report to Cabinet and therefore is a positive direction of travel.

Although there are 28% of schemes at this stage not expected to deliver totaling £5.367m the Council have 6 months with which to respond and contingency and reserves in place to support this should this be required. As noted at month 6 the Council is forecast to overspend compared to its financial target by £5m. Savings under-delivery is built into the position.

In terms of track record there is limited evidence to comment on this with 21/22 being the first year of existence of the Council, however this currently shows good delivery of savings and positive overall outturn as a result of the savings achieved (amongst other factors) and therefore is indicative of good financial performance however more information will be needed over a few years to comment on whether savings can be achieved consistently.

Responsibility for development of individual savings plans sits with the individual directorates and their services, they are supported by the finance team in developing these although ultimately responsibility for development and delivery is that of the service teams. The robustness of the savings proposals is tested at several points during the budget setting process and ensures that there is engagement from a range of stakeholders to challenge and ensure savings plans are realistic. Savings are initially proposed via the 'Star Chamber' process that was followed as part of the 22/23 budget setting process whereby service directors develop and present their proposed budget, including savings, and these are subjected to a 'check and challenge' by senior officers and the Leader of the Council to confirm deliverability, capacity and resources as well as political buy in for more sensitive items. The 'Star Chamber' process is further supported by 'Budget Robustness' sessions that took place after the draft budget had been proposed in order to ensure that the budget savings proposals were robust and service leads were able to flag any concerns they had about the deliverability of any proposals.

The Corporate Overview and scrutiny Committee review the budget between its draft and final stages which includes review of savings and the budget process includes public consultation also covering the savings aspect of the budget. As such there is a multi-faceted approach to savings development and scrutiny at the outset of the budget which maximises the potential for delivery, this has resulted in good delivery of savings to date taking into account sector wide challenges.

Savings are monitored quarterly at Cabinet meetings and monthly between Finance and directorates alongside financial performance, this is sufficiently regular to identify those schemes that are facing challenges and take action in a timely manner. Savings are presented at individual proposal level, and summarized by directorate, and therefore effectively highlight underperformance without this being masked by offsetting schemes that are delivering (or over delivering). Each scheme has a clear description of each proposal's purpose and the directorate to which it relates and therefore there is a clear mechanism to hold services to account for performance. The monitoring is predominantly based on a RAG rating system, as well as a clear demonstration of the monetary value each scheme is expected to deliver against target, which effectively draws attention to the schemes that are under delivering and require actions to intervene.

Savings performance is noted at each Cabinet meeting and evidence of member challenge observed specifically related to the performance of certain schemes. The Council has established a Transformation Board which is an Officer lead group where Directors of Services present on their red rated savings that are not expected to deliver and amber rated savings where deliverability could be achieved but there are challenges. They set out the rationale for the rating and this is debated by the Board prior to the information being collated for the Cabinet report.

## Reserves and Contingencies

Reserves and contingencies incorporated into the budget and MTFP are a vital mechanism for addressing unforeseen or escalating risks to the Council's finances and therefore the development of these tools is considered to be strong financial management.

Given that the Council does have a good track record with savings delivery but challenges with a small proportion of schemes underdelivering the Council could benefit from a post-implementation review to maximise future savings delivery by learning from past successes. The Council do undertake this process for projects that are transformational in nature. For those that are not transformational the savings development undertaken as part of the budget process sees Finance encouraging directorates to identify the causal factors in previously successful schemes and replicate the scheme for another element of their service or extend the scheme further, effectively this is them reviewing successful schemes and building upon them however there is no formal post implementation review process.

### **Improvement recommendation – the Council should explore ways to apply post-implementation reviews of all successful savings and efficiency schemes to ensure that lessons learned can be applied to other schemes to maximise future savings**

The Council has a Reserves Strategy which is reviewed as part of the annual budget setting process to ensure it remains fit for purpose. As per the strategy the Council has a policy for a minimum level of General Fund Reserves it is willing to hold that is available to protect it from future financial pressures. It is important that the level of reserves meets the balance of prudent and not excessive, as holding a high level of reserves can impact on resources and performance but are an important risk management tool. The appropriate minimum level has been deemed to be 5% of the net budget which is in line with other similar Councils. This would equate to £17.1m, excluding DSG and £37.6m including DSG based on the 22/23 budget. In developing their expectation of a minimum balance that should be held the Council has identified the average General Fund reserve balance at unitary authorities which came to £30m. Consideration has been given to the fact that Council is newly established and still navigating the disaggregation process which means that the inherited reserves balances are yet to be audited therefore are liable to change. As such some contingency was built into the minimum balance at this was agreed to be held at £40m. This is a prudent level of reserves but is based on sound analysis, reflects some of the risks facing the Council in terms of financial resilience and unitarization and adheres to the Council's own policy, as such this is an appropriate level to hold.

In 21/22 the Council held £5m in contingency for budget pressures and this was factored into the £40m minimum reserve balance. In 21/22 the Council had an outturn position of £0.1m underspend without requiring the use of this contingency, however it is planned to be used in 22/23. Despite this usage reducing the general fund balance to £35m this is still an appropriate value to hold based on the comparative analysis and the Council's own policy.

In addition to the general fund reserve the Council inherited numerous earmarked reserves from the predecessor Council and a consolidation exercise took place to consolidate these into fewer categories of reserves.

The main reserves being Risk Reserve (covering many previous reserves for smoothing challenges such as business rate reforms, interest rate fluctuations), Transformation Reserve for ongoing transformation projects, supporting additional costs of aggregation and disaggregation of services and Service Specific Reserves for service level projects already agreed to. Total reserves at the start of 21/22 was £170m including the general fund reserve, earmarked reserves and S31 and Covid Reserves of which £20m of earmarked reserves were used for the specific purposes they were set aside for and therefore usage is pre-planned, rather than reactive in nature, and therefore does not suggest decision making that would negatively impact financial sustainability.

In 22/23 expected usage of reserves was £22.7m including £5m from the general fund reserve. Finance continually update this expectation as risks emerge over the financial year and currently usage is expected to be £35m, reducing reserves to £114m at the end of 22/23. This level of reserves for a Council of West Northamptonshire's size is still substantial but given the increase in usage that has been required for 22/23 and the fact that contingencies in the budget have also been required the level is important in protecting the Council from future risk. In addition there is still some uncertainty as to the final audited balance on inherited reserves and as such resilience has been built into the prudent balance being held to respond to potential reductions in the reserves level should this occur.

Of the planned usage a large proportion, £14.6m, is to be taken from the risk reserve to support pressures identified via the Star Chambers budgeting process. Although being used to respond to budget pressures this reserve was set up to respond to such issues and therefore demonstrates strong financial management in the ability to plan ahead for risks. There is minimal usage planned for the service specific reserve which demonstrates a protection of service development and means that resources continue to be available for future projects.

There isn't currently a plan in place to replenish earmarked reserves that have been used, the rationale being that the funds were set aside for specific purposes, are being used for those purposes and therefore are expected to be depleted as those projects are completed. The Council are in the process of reviewing inherited service specific reserves to identify those where there has been minimal movement as these will signify reserves that no longer need to be earmarked for projects not progressing and could be repurposed for other uses. In the future the Council may consider creating and adding to new reserves should there be specific risks or projects that need to be planned for. The process is appropriate and ensures that reserves are continually reviewed to ensure they are fit for the purpose they were intended. The Risk Reserve, which is a smoothing reserve that allows the Council to respond to unexpected budget pressures, and as such is a vital tool in the management of financial risk. This includes uncertainty around business rates, inflation, interest rates and Covid pressures that may no longer be funded by grants

**Improvement recommendation - the Council should develop a plan to replenish the Risk Reserve of the medium term to facilitate future management of financial risk.**

## Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure good practice in ensuring financial sustainability and do not represent a weakness in current arrangements. The Council's financial arrangements are fit for purpose and despite being a newly established authority the Council have demonstrated areas of good financial management in 21/22. The Council faces emerging challenges that will need to be effectively responded to in order to replicate that financial performance in, indeed actions to respond to some of these challenges have already been observed to date.

# Improvement recommendations

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



## Financial sustainability

**Recommendation 1** The Council may wish to review the frequency with which the Scrutiny Committee review the budget in future years to ensure that the use of resources is efficient and balanced with strong governance arrangements.

**Why/impact** The frequency with which the budget is reviewed should reflect the risk being faced by the Council. As the Council has now been in existence for more than one financial year the risk will reduce as processes embed and become more established and the disaggregation process completes

**Summary findings** The 22/23 budget was received and reviewed by members at least 4 times through the Overview and Scrutiny Committee meetings and Star Chambers process for individual directorates. This reflects the attention required undertaking zero based budgeting for the first time, disaggregation process and the uncertain funding arrangements in the future.

**Management Comments** **The Executive Director of Finance has regular briefings with the independent chair of the overview and scrutiny committee and is involved in the key planning meetings with respect to budget scrutiny. The chair is seeking to continue to develop the approach and the finance team will seek to support that development.**

**Recommendation 2** The Council may wish to review the budget setting process to ensure that specific assumptions, such as inflation, used in developing the budget position are transparent throughout. Where specific assumptions deviate significantly from the original estimate targeted discussion at Scrutiny Committee should be encouraged.

**Why/impact** robust estimates and assumptions are vital in ensuring the reliability of a budget. By their nature estimates and assumptions can change over the course of a financial year and therefore it is important that decision makers are aware of the assumptions made and how they are changing in order that appropriate action can be taken in a timely manner

**Summary findings** Although inflation has clearly been considered in the development of the budget for 22/23 it is unclear what the assumed inflation rate used is. Inflation has continued to rise since the budget was approved in February 22 and therefore although inflation is built into the budget, a contingency set aside and risk reserves it is unclear to members if this is sufficient to cover the actual risk presenting itself in 22/23. Budget scrutiny took place at the Corporate Overview and Scrutiny sessions in January and February 22 and these have not identified detailed discussion on inflation and specifically the level included.

**Management Comments** **The discussion on changes to assumptions take place as part of the budget monitoring process that gets reported to Cabinet and scrutiny. This report will provide details on the overall position of the Council's finances in the year and will highlight what is driving those pressures be that increased inflationary pressures over and above assumptions, increased demand or reduced income. So the discussions do take place as part of the budget monitoring report that goes into Cabinet and scrutiny and the debate that happens as part of the consideration of that report. The report is presented quarterly.**

# Improvement recommendations



## Financial sustainability

### Recommendation 3

The Council may wish to undertake a formal of review the allocation of responsibilities and resources against the capacity within each directorate to gain assurance that these can be managed effectively, and take actions as necessary to respond to any challenges identified. This is a pre-emptive or pro-active recommendation and not reflective of any issues identified in 21/22

### Why/impact

Directorates are responsible for managing the delivery of services in order to meet the Council's priorities within their Corporate Plan. Therefore, their ability to meet these priorities is impacted by their capacity, resources and level of responsibilities

### Summary findings

At the start of 22/23 the Council has reviewed its directorate structure and developed an additional directorate for Communities and Opportunities which has taken responsibility of community services from their respective directorates in order for more streamlined and relevant decision making to take place. The Place, Economy and Environment Directorate is a directorate which, by the nature of the services it provides, is closely aligned to multiple of the Council's priorities. Within the 22/23 budget this directorate has the second largest agreed budget at £87m and therefore the budget represents the responsibility being faced effectively. In addition, overall directorate budgets have increased from 21/22 by 5% and therefore showing investment in services with the largest £ increase being in Place, Economy and Environment to reflect the level of responsibility for the Council vision. However, a more equitable division of responsibility across services may increase the opportunity to fulfill all of the priorities required to meet the Council's vision.

### Management Comments

**The Council does this on a regular basis to ensure the resources required align with delivery of the set priorities. This can be evidenced by the review and amendments made to the structure in 2022-23 and the devolution of the transformation team to services to ensure the resource sits with the areas that need it the most. This is an ongoing process and there are other changes that have been delivered or are planned to ensure that resources are set up in the most effective way. Additionally, directors undertake this review as part of their Star Chambers budget presentation where they are required to identify challenging savings targets in preparation of the following years budget.**

# Improvement recommendations



## Financial sustainability

### Recommendation 4

The Council should consider aligning the budget and budget monitoring to be designed around individual services to easily distinguish the resources being allocated to discretionary and statutory spend and the outcome of that investment

### Why/impact

As the sector faces uncertainty over future funding levels and an increasing level of savings required each year Councils may consider reducing provision, ceasing provision or providing discretionary services in a different way in the medium to long term. To facilitate any future discussions of this nature members need to understand which services are discretionary, the resources the Council uses to deliver them and the performance of those services.

### Summary findings

Each of the Council's directorates is responsible for a range of discretionary and statutory services. Currently the design of the budget does not provide decision makers with a clear distinction between discretionary and statutory spend to assist them in reviewing the resources the Council allocates to discretionary services which would be vital in informing future decisions on service provision. The revenue budget monitoring in year and the year end outturn reporting does include more granular detail on the performance of individual services which is beneficial in informing such decisions.

### Management Comments

**As part of the budget setting process for 2023-24 this very piece of work was commenced for the reasons set out above. Given the budget challenges for 2023-24 a prioritised list of services was put together which considered not only the statutory basis for the provision of the service but a number of other factors too.**

**The exercise is not complete at the time of responding to this recommendation but there has been good progress and it will be completed in 2023-24 in good time for the 2024-25 budget process.**



# Improvement recommendations



## Financial sustainability

### Recommendation 5

The Council should consider explicitly stating the risks the Council faces in achieving its budgeted financial position.

### Why/impact

In order to allow decision makers to have a full awareness of the risks the Council faces in achieving their budget, track their progress as they emerge and take action to respond accordingly in a timely manner.

### Summary findings

The consideration of risk is embedded within the budget setting process as opposed to be explicitly stated within the Section 25 Report, covering report to the budget or an appendix. Having reviewed reporting at similar Council's, where the inclusion of risk in the budget setting process is more obvious. a greater number of other common risks have been observed including, but not limited to, DSG uncertainty, under delivery of savings, volatility of funding sources, overspending capital projects, treasury management performance and pension fund performance. These are all relevant to the Council's services and discussion with officers confirms that these have been embedded within the budget process, however they are not explicitly set out for consideration by decision makers and those approving the budget.

### Management Comments

**The Council includes a section on risk in the budget setting report and also makes reference to the risks associated with setting the budget and how these have been mitigated in the Section 25 statement. However, we can seek to make this clearer in future reports.**

# Improvement recommendations



## Financial sustainability

### Recommendation 6

The Council should prioritise completing the disaggregation of predecessor Council services and budgets to release financial and non-financial resources review shared service arrangements to ensure they remain fit for purpose

### Why/impact

Disaggregation of County Council services and their resources between the Council and West Northamptonshire Council not yet being completed is causing a contingency to be set aside to fund any potential risks associated with this process. With the Council facing emerging pressures that could impact the budget that contingency would be available to respond if the disaggregation process had completed.

### Summary findings

Some services were unable to be disaggregated prior to vesting day of the new Council and as such, in order to protect both Councils and their service users from any gaps in service provision, shared service arrangements were put in place for some services. These arrangements have involved the Council both providing and receiving certain services from North Northamptonshire Council. However the arrangements have lead to ongoing discussion and agreement required of the final payments required by each Council for these services which could cause some uncertainty in the financial position.

There will be an increased focus on transformation and the delivery of budgeted savings in 22/23 as the Council, rightly, seek to deliver their own priorities. In order to achieve this the Council plan to reduce the amount of time and resources applied to the disaggregation process and arrangements with North Northamptonshire.

### Management Comments

**Agreed. The Council will continue to prioritise the disaggregation of services.**

# Improvement recommendations



## Financial sustainability

### Recommendation 7

The Council should consider ways it can update its budget, MTFP and budget monitoring reports to ensure that there is a high level action plan available to members to respond to the medium term financial gap

### Why/impact

The Council's medium term financial gap has increased since the prior year, in order to protect future financial sustainability it is important actions are taken in a timely manner to respond and reduce the gap in future years. This requires a pre-emptive action plan and close monitoring by decision makers to achieve.

### Summary findings

The monthly budget monitoring reporting to Cabinet includes a summary of the value of actions/mitigations identified to address overspends in year but includes limited information on the context of these actions. A detailed list of management actions is recorded and shared at directorate level which supports the budget monitoring. This is not provided within the budget monitoring so as not overwhelm decision makers with information which may hinder effective decision making. The information is readily available and could easily be provided to members as an appendix or summarized in the report so they have chance to challenge and discuss, without being overwhelmed, given the uncertainty associated with financial sustainability.

### Management Comments

**The MTFP is used as a tool to highlight the level of pressures estimated for future years in order for the organisation to be aware of this and to begin planning to close those gaps.**

**It is unrealistic to expect there to be a fully balanced medium term financial plan over the life of the plan. However, it is a useful tool to understand the size of the challenge for future years and is used to inform discussion with the Cabinet about the approach to be taken for those years.**

**A high level plan can be produced alongside this tool to explicitly set out the approach that could be adopted to deliver balanced budgets for future years.**

# Improvement recommendations



## Financial sustainability

### Recommendation 8

The Council should prioritise identifying a greater proportion of savings which impact multiple financial years, when developing savings plans as part of the budget and MTFP process.

### Why/impact

The Council is forecasting a medium term financial gap. As part of the budget setting process each the Council develops savings, efficiency and income generation plans which balance the current year budget and contribute towards the medium term gap. A greater value of future year savings identified would have a positive impact on reducing the medium term gap.

### Summary findings

A total of £15.25m efficiencies and £4.06m income generation schemes are included in the budget for 22/23, with an additional £6.46m across future years. Therefore resources are more focused on savings that will close the financial gap on a one year basis than those in future years.

### Management Comments

**The Council does encourage savings to be submitted beyond the upcoming year and there is some evidence of this in the current medium term financial plans.**

**In the MTFP that was inherited on vesting day there were a number of future year savings included which were not realistic or credible and therefore the Council is prudent in terms of the savings to include in future years of the plan.**

**However, we will continue to encourage multi year savings plans that are credible and deliverable to be submitted for consideration.**

# Improvement recommendations



## Financial sustainability

### Recommendation 9

The Council should priorities the development of a Workforce Plan to translate the current vision per the People Strategy into an affordable future forecast of the establishment required to deliver Council priorities.

#### Why/impact

Employee costs are a significant proportion of the Council's expenditure each year and therefore it is important that the cost included in the budget and medium term financial plan is based on reliable data and Council priorities as determined by the Corporate Plan.

#### Summary findings

The Council developed and approved its People Strategy in February 2022 and the focus on this strategy is on the non-financial elements of its workforce such as development, performance and wellbeing related actions. This an overarching strategy focused on vision however the Council have yet to progress using this strategy to develop a detailed workforce plan which will then inform a detailed budget and funding required for staffing levels in the medium term.

#### Management Comments

**The council has in place a People Strategy, just commencing its second year of delivery. The first year comprised of 3 programmes, 11 workstreams and over 60 projects and our end of year one report on achievements has just been published. As we move into the second year of strategy delivery we have refocussed and reprioritised activity to 2 programmes and 6 workstreams and are finalising the projects underneath. In addition to the People Strategy activity, Corporate Services are setting up its Connected Council Transformation Programme and will be working with Directorates to review structures, the activity arising from this piece of work, led by our Executive Directors will inform the future forecast of the establishment (rather than the people strategy).**

### Recommendation 10

The Council should explore ways to apply post-implementation reviews of all successful savings and efficiency schemes to ensure that lessons learned can be applied to other schemes to maximise future savings

#### Why/impact

The savings and efficiency programme is built into the setting of a balanced budget each year and therefore maximisation of savings has a positive impact on the Council being able to meet its financial targets

#### Summary findings

The Council do undertake this process for projects that are transformational in nature. For those that are not transformational the savings development undertaken as part of the budget process sees Finance encouraging directorates to identify the causal factors in previously successful schemes and replicate the scheme for another element of their service or extend the scheme further, effectively this is them reviewing successful schemes and building upon them however there is no formal post implementation review process.

#### Management Comments

**Agree this is best practice. We currently undertake these for savings classed as transformation projects. The post implementation review is then taken to Transformation Board once the project is complete. All savings delivery are reviewed financially at the Transformation Board, with exception reporting on proposals at risk of non delivery.**

# Improvement recommendations



## Financial sustainability

**Recommendation 11** The Council should develop a plan to replenish the Risk Reserve over the medium term to facilitate future management of financial risk.

**Why/impact** The Risk Reserve, which is smoothing reserve that allows the Council to respond to unexpected budget pressures, and as such is a vital tool in the management of financial risk. This includes uncertainty around business rates, inflation, interest rates and Covid pressures that may no longer be funded by grants

**Summary findings** Of the planned usage of reserves in 22/23, a large proportion, £14.6m, is to be taken from the risk reserve to support ongoing pressures identified via the Star Chambers budgeting process

There isn't currently a plan in place to replenish earmarked reserves that have been used, the rationale being that the funds were set aside for specific purposes, are being used for those purposes and therefore are expected to be depleted as those projects are completed. The Council are in the process of reviewing inherited service specific reserves to identify those where there has been minimal movement as these will signify reserves that no longer need to be earmarked for projects not progressing and could be repurposed for other uses.

**Management Comments** **The Executive Director of Finance is currently satisfied on the level of reserves currently held against the financial risk and uncertainty within the councils medium term financial plan. Reserves are reviewed every year.**

# 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 – Strategy and Risk Register

The Risk Management Strategy was presented and approved by the Audit & Governance Committee in July 21. The Council's risk appetite not to remove all risks and the focus is on being 'risk aware,' as opposed to 'risk averse'. The strategy effectively sets out the framework by which risks are managed at all levels of the organisation with a clear allocation of roles and responsibilities for all members of the Council.

The corporate risk management framework is set and states that it should be regularly monitored by Cabinet, who have ultimate responsibility for determining the strategy the Council adopts. Cabinet meeting agendas over the 21/22 year note limited evidence of them reviewing the strategy or risk register, we might expect greater oversight at the top level of the organisation in the first year of existence as risks and processes embed.

### Improvement recommendation – as risk management processes embed the Council should consider ways it can increase oversight of the strategy and Corporate Risk Register by Cabinet

Cabinet are supported by the Council's Executive Leadership who review and make recommendations to Cabinet as required on risk management processes. Core delivery of the approved risk management framework is primarily led by and rests with the Chief Executive, directors and statutory officers acting individually and collectively as part of the Executive Leadership Team, and who are then supported by their departmental management teams or equivalent. The Council has a dedicated Risk Team who work in collaboration with corporate directors offering advice, challenge and review how risks are reported and monitored.

A key mechanism for managing and monitoring the most likely and impactful risks the organization may face is the Corporate Risk Register. This was developed and implemented alongside the Risk Management Strategy which set the guidelines for the identification, recording and monitoring of strategic risks.

The Corporate Risk Register follows a well-established 5x5 matrix scoring system which is widely used across the sector and at the predecessor organizations and as such is well understood throughout the organization.

This Corporate Risk Register is presented to and monitored by the Audit & Governance Committee as part of their Terms of Reference. It was underpinned by risk registers for the 3 largest directorates in 21/22 where the highest rated risks for those directorate are escalated to the Corporate Risk Register for closer monitoring. The Corporate Risk Register and top 3 Directorate risks are updated quarterly and this is deemed sufficient and in line with other Councils, we would expect frequency to be reflect the risk and although the Council is newly established there are limited very high rated risks and as such quarterly is sufficient to allow action to be taken in a timely manner based on up-to-date information.

The development of full service risk registers, covering the operational risk of all directorates, has not been embedded in 21/22 and this will be developed in 22/23. Strategic corporate level risks are being monitored effectively by the Audit & Governance Committee however operational risks for each directorate now require attention to ensure the full suite of risks is effectively managed.

### Improvement recommendation – the Council should prioritise the development of risk registers for all services to ensure that the operational level risks of all directorates are effectively identified and monitored.

The Risk Management Strategy supports a Council-wide approach and dedication to risk management and this is observed in practice. Therefore any updates to the approach would benefit from including a range of individuals at all levels of the organisation to continue their buy in, this could be achieved via facilitated workshops. Overall this will ensure that risk management tools remain effective and fit for purpose

### Improvement recommendation - service staff should be involved in the development/design process when the service level risk registers are produced. The Corporate Risk Register should be updated to reflect any findings from these workshops to ensure maximum benefit is achieved.

We would expect the number of risks in the Corporate Risk Register to be between 15 and 30. This is reflective of a Council of West Northamptonshire's size, is a number that ensures risks are manageable and are strategic in nature. At the end of 21/22 the Council had 12 risks in the Corporate Risk Register and therefore the number of risks is below the threshold we expect and lower than other similar authorities compared to. This could suggest that some common risks have been committed. Further investigation noted that the low number of risks observed is due to format that the risk register is presented in, identifying an overarching risk which is then supplemented by a number of sub-risks. When taking these sub-risks into account the number of risks is in line with counterparts and we have not noted any obvious omissions based on this comparison and knowledge of the Council's priorities and operations. There is clear evidence of ongoing review and challenge of the risks included and therefore there are mechanisms in place for the Council to review its risk register to ensure that risks remain relevant to its priorities.

**Improvement recommendation – the Council may wish to consider revisiting the design of the Corporate Risk Register to ensure that sub-risks assigned to each headline risks are paid equal attention in the risk management processes, the current design of the risk register has the potential for high scoring sub-risks to be overlooked in favour of managing headline risk.**

In order to ensure that risks can be appropriately assessed by decision makers we would expect the format of the risk register to meet some minimum standards which includes risks being assigned to a specific officer for accountability, risk RAG rated to highlight specific risks that require immediate action, direction of travel of each risk is clear, scoring includes likelihood and impact factors, there is a clear target date, mitigating actions are identified and their impact on the risk score and that risks are linked to the Council's objectives. The Council's Corporate Risk Register includes the majority of these minimum standards and additional elements that would be considered good practice. However risks are not linked to corporate objectives and there is 'no target date stated for each risk to be closed.

**Improvement recommendation - the Council's strategic risk register should map risks to corporate priorities to ensure only strategic risks are reported to Members and all risks should have an action due date set against each risk with updates provided at each meeting as to whether the actions have been met. If not met this process allows members to challenge and hold officers to account or revise the date as necessary.**

To further strengthen risk management procedures the Council does not solely rely on the risk registers themselves but supports them with deep dives into specific risk areas they believe are a focus either due to their high impact, likelihood, challenging environment or a pressing priority in their Corporate Plan. Several of these have been carried out and reported to the Audit & Governance Committee in the year, notably on financial resilience which is at the forefront of the sector due to uncertainties in funding arrangements past 22/23. It is the responsibility of the Audit & Governance Committee to determine if they would like to do a 'deep dive' on any of the risks so they can understand the risk in more detail and seek assurance that it is being appropriately managed. This is appropriate since they have oversight of the Corporate Risk Register throughout the year and therefore have the overarching view of risks at the Council.

The Council has had support from Internal Audit specifically targeted at reviewing risk management arrangements. This demonstrates good governance as the effective management of risk is the backbone to successfully delivering Council priorities and therefore commitment to understanding the effectiveness and getting risk management right early in the Council's existence is positive. Overall the internal audit review suggested that both system design and compliance were satisfactory and organisational impact was moderate. This rating suggests that there are no significant weaknesses in the risk management arrangements but improvements that would be beneficial to the process. The Council has accepted the recommendations and is working with internal audit to undertake and track the recommended amendments to their processes. As such the commitment to an iterative improvement journey is evident from the Council's actions where risk management is concerned.

#### **Risk Management – Internal Audit and Audit & Governance Committee**

The Internal Audit function is vital in providing guidance, advice and support on the Council's Risk Management approach. They plan and deliver Internal Audit reviews of the internal control environment which helps to provide independent assurance of the processes and policies across the Council, including those related to risk management, and make improvement recommendations where required. They report directly to the Audit and Governance Committee at least quarterly on progress against the Audit Plan developed in conjunction with the Committee ahead of the start of the financial year. There is also an Annual Audit Report provided to summarise the full year activity and overall opinion on the effectiveness of the controls environment at the Council.

In respect of the 12-month period ending 31 March 2022, the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the Council's overall internal control environment, taking account of all available evidence, was satisfactory. Within this there were no limited assurance reports which could be indicative of weaknesses in arrangements that may need to be addressed. The overall rating is not indicative of pervasive risks/issues in the control environment as this is a positive opinion with improvements required. Strong assurance relies upon stable systems operating over multiple financial periods and therefore given the Council has only been established for one financial year satisfactory is essentially the maximum assurance they would be likely to achieve which again provides positive assurance over the arrangements at the Council.

The report also notes that control weaknesses highlighted from previous Internal Audit reviews continue to be addressed in the first 2-3 years of the Council's operation and therefore the direction of travel is positive in terms of improvement. These previous weaknesses have not negatively impacted the 21/22 opinion.

An open and honest relationship has been noted between Internal Audit and members of the Audit and Governance Committee in year. Reviews are wide ranging in their ratings and provide areas for improvements, which although discussed and challenged by the committee if necessary, are accepted and implemented in a timely manner.



The Internal Audit function provides regular updates on progress and stated in year that challenges were expected in delivering the Audit Plan due to engagement from some officers and transformational change within internal audit itself meaning that their resource had to be supplemented by external support. With support from the committee on the engagement of officers and external support the Internal Audit team had completed, drafted reports or completing fieldwork for 98% of the planned audits. The 2% of audits not completed were not mandatory audits and all audits were completed in early 2022. Therefore this does not raise concerns around the effectiveness of Internal Audit to support the Council in managing risk as there are no gaps in the planned assurance.

The Internal Audit Function was delivered by a Shared Service Arrangement in 21/22 with external support from BDO, who are reputable providers in the market. The capacity and engagement challenges noted were experienced by both the shared service and external provider and therefore were not a reflection in any issues in arrangements from the internal audit function themselves. From April 22 the service has been brought back in house and this has gone some way to respond to the capacity issues caused by the transformational changes, early reports in 22/23 confirm that this in house team is fully resourced although work is ongoing to ensure a cohesive approach. Progress on the 22/23 Audit Plan is positive.

The internal audit function is bound by the Public Sector Internal Audit Standards (PSIAS) to ensure they operate effectively and provide a quality service. PSIAS require that compliance with its provisions is externally assessed every 5 years. The last review for the shared service audit arrangement was completed in 2016, and confirmed the service complied with requirements. Since that time annual self-assessments, consistent with PSIAS also confirmed ongoing compliance. The planned 2021 external assessment for the PSIAS was deferred in the light of the decision to close the shared service. Given the setup of a new in-house Internal Audit Service from April 2022 and the appointment of a new Head of Audit & Risk Management, it was reported that it would seem reasonable for the service to have time to bed-in and the new Head determine the most appropriate time for an external review, in liaison with the Executive Director of Finance and the Chair of the Audit & Governance Committee.

Further investigation noted that the Audit & Governance Committee produces an Annual Report to confirm that it has complied with its terms of reference and fulfilled its purpose. This is essentially an effectiveness review and provides positive assurances that they are supporting the Council and Internal Audit as intended. The report for 21/22 confirmed that the committee had successfully fulfilled its terms of reference and has endeavoured to improve the Council's governance and control environments.

We have not noted any such effectiveness reviews of any other of the Council's committees. Given this is the first year of the Council's existence it would be beneficial to undertake a health check to ensure lessons can be learned and improvement implemented if committees could fulfil their purpose or adhere to their terms better or if good practice could be identified and applied to other committees to ensure consistency of quality. We have not observed any instances of ineffective committee decision making however ongoing review ensures the highest quality standards are met

**Improvement recommendation – although there is a clear and appropriate rationale for the deferral of the PSIAS external review the Council should priorities undertaking this review of internal audit in 22/23 while the new in-house team is embedding so that improvements can be identified and implemented in a timely manner.**

**Improvement recommendation – the Council should consider developing and undertaking a regular schedule of committee effectiveness reviews to ensure the highest quality standards in decision making and governance arrangements are achieved.**

The Audit & Governance Committee met 5 times in 21/22, and attendance of permanent committee members was strong over this period. This provides consistency in decision making. Members are a cross representation of all parties in accordance with the make-up of the Council and therefore the level of challenge is deemed effective as several view points are considered in discussions. Several Councillors who are not members of the committee attended in year which shows that there is Council wide interest in governance and risk issues. Member profiles highlighted that there is adequate skills and experience as demonstrated by members professions which included, a Barrister, Company Directors, Systems Analysts, Head of IT and Sole Trader highlighting that members do have relevant skills and experiences to provide appropriate challenge or hold officers and the Cabinet to account. Members of the committee are engaged, readily challenge agenda items and seek additional assurances, such as through specific deep dives, as required and therefore have evidenced their effectiveness.

### **Budget Setting Process**

A fundamental part of the budgeting process this year has been a round of budget scrutiny of all of the service budgets following a 'star chamber' process. This is a well established process used throughout the sector and provides the opportunity for a deeper level of scrutiny, supports a zero-based budgeting approach and is an additional layer of challenge of the budget. This involved the leader of the Council, all portfolio holders, the Chief Executive, the Chief Finance Officer and his deputy, other Executive Directors, Assistant Directors, the Director of Transformation and members of the Finance, HR and Transformation teams and therefore is a collaborative approach aimed at gaining buy in across the organisation as well as a cohesive approach to delivering the budget. This process has been vital in producing a balanced budget and as a result has been implemented again for 23/24, demonstrating the Council is learning from its successes.

A Star Chamber process was undertaken for each directorate individually including the Children's Services which is delivered by the Children's Trust. Although the Council do not have control of producing and delivering the budget for this service the Trust were well engaged with the process. The information presented at each Star Chamber meeting is comprehensive and standardized in format, with support from finance to complete. The officers and members present then undertook a 'check and challenge' process/discussion on deliverability, capacity and resources as well as political buy in for more sensitive items and this has ensured that proposals are realistic.

As part of the follow up process 'Budget Robustness Review Sessions' were held between Service Directors, Assistant Directors, S151 officer, deputy S151 officer and Finance staff. These focused, on a line by line basis, at savings proposals in order to confirm their achievability in the view of the service. Each savings proposal was RAG rated and any proposals identified as high risk have been removed.

Throughout the budgeting process there is continual consultation with Cabinet and Overview and Scrutiny Committee which is formalized as well as the informal liaison with teams and finance. It is clear that the process is detailed and involved a range of internal stakeholders to maximise the achievability of the budget and ensuring that assumptions are as realistic as possible. To further support the collaborative approach the budget included public consultation to ensure that the budget is reflective of the Council's priorities and the needs of its residents. Overall the approach to budget setting is comprehensive and collaborative but the extensive nature of the approach has not hindered the Council in terms of being able to adhere to deadlines or gain necessary approvals.

There are several methods that Councils can employ in order to increase the robustness of the estimates they use in their budgets. These include, but are not limited to, trend analysis, risk/ sensitivity analysis and scenario planning. In our financial statements work we have noted potential improvement to the documentation of risk management in the budget planning process already.

No formal trend analysis, scenario planning or sensitivity analysis has been documented in the 21/22 or 22/23 budget process and therefore further investigation was taken into any informal analysis that took place in 21/22. This identified that developing the assumptions within the 22/23 budget process has been a collaborative effort between Finance and the directorates. As part of this process, particularly for demand led services such as Adult Social Care, the teams use analysis of historical trends on age, deprivation, packages of care and use these trends to extrapolate, include known future changes and therefore develop an expectation. Therefore effective analysis underpins the budget. In addition budget monitoring effectively forecasts the impact of the current month position on the potential year end outturn, this is a form of trend analysis that allows action to be taken ahead of the position occurring. This was effective in 21/22 where the year end outturn was well managed to an underspend position.

Often in Council budgets plan for optimistic, pessimistic, realistic scenarios however there is no such evidence of this in either the draft or final budget for 22/23 or 21/22. This is an active choice by the Council not to undertake this type of analysis and instead the MTFP is developed based on prudent costs and income assumptions. Given the uncertainty for the future highlighted in the MTFP around business rate reforms, further disaggregation of services and fair funding review as well as the fact that at Q1 the Council is deviating from its balanced budget for 22/23 the Council could have benefitted from estimating at least a pessimistic scenario for 22/23 an action plan could be put in place ahead of time that could be easily mobilized as the scenario occurred.

**Improvement recommendation – the Council should seek to include scenario planning within the annual budget setting process.**

The Council has taken immediate action to the variation to plan at Q1 by implementing spending restriction panels and planning to utilise contingency already set aside at the outset of the budget and as such not having a pessimistic scenario plan has not caused delay to take action. This has resulted in a reduction in the variance from budget.

### Financial Reporting

The Council monitor financial performance against budget monthly via its Revenue Monitoring Report and Year-End Outturn Report. These are presented to Cabinet quarterly with monthly review by Finance and the Directorates between Cabinet meetings. This is appropriate regularity and is in line with similar Council's, given that in the main oversight is monthly this reflects the sector wide focus on finance, uncertainty on future funding and continually changing assumptions.

The reporting consists of a covering report in narrative format and two appendices highlighting expected outturn and a savings tracker. The narrative report is at directorate level and clearly states the budget, expected outturn and variance in £ and %. It is important that the performance is presented on a forecast basis as the budget is set for the year, by forecasting the current months performance impact on year end the Council is allowing decision makers to understand the overall impact and take action now to reduce that impact where it is negative. The narrative is extensive and detailed and generally provides a background to each directorates services and drills down into the specific services which may be driving any under or overspends. There is some information on the causal factors of performance however this is not consistent throughout the report. There is also some information on actions being taken but again this is not consistent for each directorate.

The largest overspend reported consistently in the revenue monitoring information is in Adults Services and the narrative, although extensive, does not include this information on causes and actions. We might expect the Council to focus on providing this information for the greatest overspending areas to allow scrutiny and discussion to be targeted at tackling the more significant issues.

Improvement recommendation - the Council should consider reviewing the narrative revenue monitoring report to follow a standardized, templated format for each directorate which includes the overall outturn and variance, the significant over/underspends in specific services driving the performance, a summary of the causal factors and then actions being taken. This will ensure consistency in the information being presented and increase transparency. This information is already available via the management report and therefore is simply ensuring it is summarized effectively to members.

When the monitoring reports are presented, there is a 2-month lag in information being received between the date of the meeting it is being reported to and the date the information relates to. We would expect a 1–2-month lag in information given the frequency of the Cabinet meetings, these are monthly but require a lead in time to provide papers for publishing and information to be collated, with Executive receiving the papers prior to presentation to Cabinet. The information is considered relevant and up to date with which to make information decisions

## Culture and Leadership

Throughout discussions with officers and review of documentation there is clear culture of collaboration, seeking ongoing improvement and striving for best practice. This is largely demonstrated by the engagement of the Council members at Council, Cabinet and Committee meetings

A notable example of this culture of ongoing improvement and collaboration is the Council's 'Wicked Issues' approach. These are cross cutting workshops which have taken place with multiple services in the same room supported by senior officers including the Chief Executive and S151 as well as service heads. Rather than deep dive workshops with individual directorates or services to identify their own challenges and develop solutions in silo these workshops have included representation across multiple service. To date the workshops have focused on the demand led services, such as Adult Social Care and Transport, as these are the areas causing pressure in the sector as a whole and the areas where the Council has the least control of the causal factors but statutory responsibility to deliver a quality service, in many cases. The sessions were used for these services to recognise the common themes and budget impacts. Overall the Wicked Issues approach has been effective in allowing the Council to respond to areas of pressure before they have an impact on the budget, with an overall underspend achieved for 21/22. Each directorate has its own boards for areas such as technology and HR/workforce so they already have governance arrangements but Wicked Issues is an additional layer of support, scrutiny and review. The joined-up approach bringing together budget holders from all service lines is deemed to be notable practice.

The Council has established three Overview and Scrutiny Committees (OSC): Place, People and Corporate. These committees are made up of councillors from different political groups who monitor Cabinet decisions, advise Council on decisions, contribute to developing policy and review decisions that have been agreed but yet implemented for further challenge. They play a vital role in ensuring that decision-making at the Council is transparent, open and honest. The committees have been very active in year, often meeting monthly with a high volume of wide ranging agenda items being taken to each. Each committee approved its remit at the start of the 21/22 year, however there is evidence of topics outside of this remit being debated. As such there is a potential lack of focus of the OSC functions, this was also highlighted by an in year peer review.

**Improvement recommendation – the Council should consider reviewing the remit of the Overview and Scrutiny Committees, ensuring meeting agendas adhere to that remit and redistributing agenda items to more appropriate channels as required as a way of ensuring Committee resource is focused on key strategic priorities.**

The OSC Boards are supported by Task and Finish groups which are common place in well run Councils and provide an additional level of scrutiny in a more regular workshop type environment and therefore this approach is encouraging in terms of demonstrating good governance.

The fact that the Council undertook a recent peer review which specifically looked at scrutiny, as well as a peer review sponsored by Local Government Association (LGA) on Communications, shows the openness and willingness to improve its underlying governance structures to ensure the Council is well led. The recommendations from these reviews have been well received by officers. Notably the Communications review recognises an open, honest culture and buy in from senior management which is all indicative of an appropriate tone from the top of the organisation.

In order to ensure that decision making is based on sound advice the Council actively encourages and seeks feedback from staff, public and service users before making key decisions. There is a Consultation and Engagement Framework in place which reaffirms the purpose of their consultations, provides examples of what they will consult on and how and how people can get involved. It is clear, succinct and easily accessed so that stakeholders are aware of how they can input. The framework confirms that the Council plans to consult over wide ranging topics such as budgets, service changes/improvements and equality. There is a dedicated consultations portal available via the Council website, which is easily accessible, there is evidence of extensive consultation in 21/22 and ongoing consultations in 22/23.

Notable internal consultation in year was the Council wide-employee survey which was used to inform the People Strategy which underpins how the Council achieves quality development, performance and wellbeing of its people, over time this will inform the budget to ensure that this quality establishment is integral to the Council financial plans and as such stakeholder have been able to shape the future of the Council's operations. Similarly the public have been consulted in the preparation of the 21/22 and 22/23 budget to ensure spending, and saving, meets council priorities and the needs of service users. This is, again, indicative of an open and collaborative culture.

## Judicial Review

The Council has faced legal action in the form of a judicial review to investigate whether the sale process of Sixfields land was appropriately managed. The initial transaction in the process pre-dates the Council and relates to Northamptonshire Borough Council which ceased to exist upon unitarization in April 21. In 2013 Northampton Borough Council's (NBC) Cabinet approved a decision to loan money to Northamptonshire Town Football Club (NTFC) to pay for improvements to the Sixfields stadium and to build a hotel next to the stadium. The Council would also buy land from the Homes & Communities Agency ("HCA") adjacent to the Sixfields stadium and enter into a Joint Venture Agreement with a private company, the HCA, and NTFC, for the development of that land. Between 2013 and 2015 several complications lead to loan repayments ceasing, work ceasing and contractors changing. As a result of the challenges at the predecessor Council's external auditors undertook a detailed piece of work relating to the transaction and the 2015/16 financial year, this culminated in a Public Interest Report being released in January 2021. Upon unitarization the Council received offers to sell the piece of land concerned and this sale was processed through the Councils governance arrangements, however concerns about the Council's adherence to the expected process by one of the bidders involved has led to a judicial review being brought against the Council in 2023.

The original transaction leading to the Public Interest Report was a decision taken several years ago by a different body than West Northamptonshire Council and therefore our work for the 21/22 Value for Money Work has focused on the decision making and governance arrangements in the 21/22 by West Northamptonshire Council to respond to the legacy issues inherited and the in year sale. Specifically, this involved understanding the actions taken in relation to the Public Interest Report by the Council, actions taken in relation to the subsequent land sale in 21/22 and understanding the complaint leading to the judicial review.

The Council's response to the Public Interest Report was immediate and transparent. The full report was published immediately on the West Northamptonshire Council website for transparency to the public, members and other stakeholders despite the issue being a legacy issue in addition the Shadow Executive had sight of the report in March 2021 to ensure that decision makers of the new Council were aware of the issue and could discuss. A detailed action plan was produced directly from the recommendations in the report and the Council took responsibility for delivery of these from 1 April 2021, having translated and aligned them to the new council's governance arrangements. Each action had an appropriate responsible officer assigned. The majority were led by the Director of Legal ensuring that decision making had lawfulness at its core.

There is limited evidence of the Action Plan being monitored via the Full Council minutes in year. However discussions around selling the land at the Football Club were in train informally prior to the Council becoming a unitary and evidence demonstrates that the Council took action to sell the land in the 21/22 year as a response to the concerns raised by Public Interest Report. As such monitoring an action plan for a piece of land that the Council would no longer own was not a necessary use of resource as sale of the land superseded all changes to governance arrangements the action plan required.

Following informal discussion prior to unitarization the Council received formal offers in relation to the sale of the Sixfields land in November 21. Full details were collated including the background of the site and transaction and a detailed report provided to Cabinet in Feb 22. The report included sufficient detail from both bidders and the context of the transaction to aid members in their decision and was the sole item at the Cabinet meeting and therefore allowed sufficient time for challenge, discussion and scrutiny. Councillors effectively challenged by ensuring that they considered alternative options to selling the land, pausing the decision to respond to the Public Interest Report recommendations on previous pressured sign offs and suggesting additional review by the scrutiny committee before committing to a decision. These are all effective governance arrangements and show the Council commitment to getting the land sale decision right. Offers from both bidders were clearly presented to members at this initial Cabinet meeting and a further meeting in late February 2022 before a decision was made at March 22. It is clear that the decision considered several facets of the offers including the sale price but also the terms of the arrangements, timeliness of the transaction and complexity of the deal. The decision made was based on a balance of all of these factors. As such it is clear from the documentation that both offers were considered by Cabinet.

In June 2022 the unsuccessful bidder in the transaction filed an application for judicial review of West Northamptonshire Council's deal related to the land as a result of their understanding that due process wasn't followed in considering all offers equally in the decision. During the decision making process both bidders updated their offers several times, one such update from the unsuccessful bidder was provided the Friday before the Cabinet meeting scheduled to make the decision in relation to the sale, but this was not taken to that meeting. There is case law which deals with the consideration of late offers which covers situations where the Council has set out and made public its decision-making timetable. The Council must consider later offers but is entitled to take all elements of all offers into consideration in doing so and to reach a conclusion that the best offer for the Council is one which can confidently be taken to completion. Therefore case law that permits the action that was taken by the Council. Evidence shows that the Council, by taking the successful offer, has still had consideration for the counter offer but has taken the option which is lower in price overall but has public interest considerations also and has clearly demonstrated consideration of the counter off in its communications.

We have not noted any further update to Cabinet since the decision to award the sale to the successful bidder in March 22 and given there is an ongoing judicial review more regular updates on the progress of the judicial review and any lessons learned as the review progresses, as well as when it completes, would be beneficial to decision makers to apply to future transactions to avoid any further challenges. There have not been updates to Cabinet as this would not fit this group's remit as a decision making body as no further decision was being made. Cabinet were sufficiently updated on the decision to sell the land and that fits their purpose.

**Improvement recommendation - the Council should identify a suitable forum with which to update members on the progress of the judicial review and, in particular, lessons learned to ensure that similar issues with other land sales do not reoccur causing further judicial reviews or legal cases of this nature.**

The Council have an Overview and Scrutiny function who play a role in supporting the Council in its decision making. There is limited evidence of any reporting on the judicial review being reviewed by this function. The judicial review does not represent a decision and therefore Cabinet as a decision making body, and the scrutiny function in supporting Cabinet, has not had a role to the play in the judicial review itself, only the original sale transaction which was appropriately reported via Cabinet.

The transaction was supported by appropriate legal advice throughout the process which included the Council's Head of Legal, a Council Legal Representative and the Council's Solicitor who recommend appropriate legal representation as well as property legal specialists who are well known in the sector. Legal advice provided throughout the decision making process on the sale was summarized in all reports to Cabinet and includes consideration of legalities of the land disposal, public law considerations, assets of community value and therefore confirms that legal consideration was undertaken by decision makers at each stage.

Advice was sought by the Council from a reputable valuation expert. The full valuation report was provided at each meeting to Cabinet and as such they had a full suite of information including internal report, external officers and external expert advice with which to make their decision. It is also clear that the valuation advice was ongoing and updated as new information became available to ensure it was as accurate as possible.

In summary the Council's response to the Public Interest report was immediate, transparent and committed to making improvements through a detailed action plan. This represents good governance arrangements in light of a challenging report and although there is limited evidence of reviewing this plan by Cabinet this is acceptable as the plan has been superseded by the decision to sell the land. It is clear from the documentation that the Council has taken advice in its decision from legal experts and valuation experts and that this advice was appropriate. It is clear that Cabinet effectively scrutinised and took time over the decision to sell and that both bidders offers, each time they changed, were considered. In addition it is clear there was consideration of the recommendations and improvements required by the Public Interest Report in making the decision which led to a second meeting of the Cabinet in March 22 so as not to rush the process. Having viewed the rationale for the decision to take the successful bidder's offer and deem this to be based on sound rationale. As such we have not identified any issues with the decision making in relation to the land sale through our work. The Judicial Review is ongoing and the outcome is not known at the time of reporting, however our comments are based on the best available information at the time of writing. In November 2022 a judge has now granted leave for the Judicial Review to proceed to hearing. Therefore, the final outcome is still unknown until that hearing takes place.

### Pension Fund

The Council, as administering authority, runs the Northamptonshire Local Government Pension Scheme (LGPS) on behalf of its members, with the overriding objective of ensuring its assets are sufficient to pay the benefits owing to members as and when they become due.

The Council has three layers of governance overseeing pension fund activity to assist in meeting this overriding objective and to assist members in making decisions by ensuring that relevant information and assurances can be provided in relation to the Fund. The structure consists of legally required Local Pensions Board, a legally required Pension Fund Committee and an Investment Sub-Committee. Each has a separate, distinct and well communicated role. The Council has delegated decision making powers in respect of the Fund to its Pensions Fund Committee to receive and consider advice from the Executive Director of Finance, Head of Pensions, as well as from the Fund's appointed actuary, custodian, investment advisers and Fund Managers. The Local Pensions Board assists with ensuring regulatory requirements are complied with and ensuring the effective and efficient governance of the Fund. The Investment Sub-Committee undertakes the day-to-day oversight of the Fund's investments through implementing the investment strategy, reviewing and monitoring the asset allocation and appointing and reviewing the performance of investment managers the Council delegates. The management of the day to day operations is undertaken by a Head of Pensions at the Council who is supported by 5 teams. As such arrangements to monitor performance of the fund, fund managers and the actuary are extensive.

Each of these groups meets with sufficient regularity with which to make informed decisions, each meets quarterly and this is deemed appropriate since they receive updates on fund performance from their actuary quarterly and therefore the timeframes are aligned.

The first meeting of the Local Pensions Board approved the Annual Business Plan and Medium-Term Strategy which details the Fund's key areas of activity over the period 21/22 to 2023/24. It sets out clear objectives for the fund over a 3 year period and sets out how these will be monitored over the year. This document has a clear scheme of delegation and explains the committee structure as well as the teams and individual responsibilities of the teams assisting the Head of Pensions in his role. We have not noted any deviations from responsibilities per this Annual Plan in 21/22.

The Northamptonshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Committee has approved a Risk Strategy and a detailed Risk Register as agreed at the start of the 21/22 year in June 21. The Annual Plan states that the register is maintained and reviewed by the Local Pension Board at every meeting, and changes to the level of risk are reported to the Pension Committee at every other meeting, or more frequently if necessary. The expected frequency is not adhered to however all risks are Amber or Green rated and therefore not indicative of any serious concerns at the Pension Fund, therefore the level of reporting observed in year is reflective of the level of risk. Oversight at the Pension Board, as well as the committee, ensure risk is monitored sufficiently regularly overall.

Performance of the fund is monitored via several routes presented to the committees, these include a Pension Fund Administration Report, a Governance and Compliance Report and a quarterly Pension Fund Report from the fund Actuary. The administrative performance of the across a series of KPIs, is predominantly green with no red rated metrics and is therefore considered strong. The focus of the Governance and Compliance Report at each meeting is varied but in year has reviewed key policies related to the fund, for example, and found that all are being reviewed between every 1-3 years which is appropriately frequent, keeps policies up to date, is in line with the triennial valuation cycle and overall represents good governance.

The strong governance and financial management arrangements have generated a strong tangible outcome in terms of the funds performance at year end which demonstrates positive, and improving performance year on year, on scheme liabilities, net assets and funding level.

### Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in ensuring robust governance and do not represent a weakness in current arrangements. The Council's governance arrangements, which were adopted on 1<sup>st</sup> April, have been fit for purpose throughout the 21/22 year and the Council's commitment to its ongoing improvement journey is evident.

# Improvement recommendations



## Governance

### Recommendation 12

As risk management processes embed the Council should consider ways it can make iterative improvements to achieve best practice in this area. This could include:

- increasing oversight of the Risk Management Strategy and Corporate Risk Register by Cabinet
- prioritising the development of risk registers for all services to ensure that the operational level risks of all directorate are effectively identified and monitored.
- involving service staff in the development/design process of service level risk registers via facilitated workshops
- updating the Corporate Risk Register to reflect any findings from these service level workshops
- revisiting the design of the Corporate Risk Register to ensure that sub-risks assigned to each headline risks are paid equal attention in the risk management processes, that risks are clearly linked to the Council's priorities in the Corporate Plan and have a target date for the actions to address each risk

### Why/impact

It is important that risk management processes are reviewed with sufficient regularity to ensure they remain fit for purpose.

Risk management performances most effectively when all levels of the organisation are involved and their role is clearly communicated.

The Cabinet are a decision making committee of the Council and therefore in order that their decisions are well informed, including how the risks of the organisation may be impacted, it is important they have an awareness of those strategic risks.

The Corporate Risk Register is a key mechanism for managing risk to the achievement of the Council's strategic objectives and therefore it is important that there is a clear link between those objectives and the risk being faced and those responsible for acting to reduce the risks can be held to account for progress.

### Summary findings

Cabinet meeting agendas over the 21/22 year note limited evidence of them reviewing the strategy or risk register, we might expect greater oversight at the top level of the organisation in the first year of existence as risks and processes embed.

The development of full service risk registers, covering the operational risk of all directorates, has not been embedded in 21/22 and this will be developed in 22/23.

The Risk Management Strategy supports a Council-wide approach and dedication to risk management and this observed in practice. Therefore any updates to the approach would benefit from including a range of individuals at all levels of the organisation to continue their buy in, this could be achieved via facilitated workshops.

The Council initially seems to have a comparatively low number of risks in their risk register which is by virtue of the nature of the format of the Corporate Risk Register being arranged by headline risks and sub-risks.

# Improvement recommendations



## Governance

### Management Comments

We are currently developing our risk process to include:

- Clear definition and management of operational and strategic risks
- Training for managers in the risk management process
- Development of corporate risk management group with leads from each directorate who will support local management of operational risks and escalation of strategic risks
- Clear links between audit and fraud outcomes and risks
- Engagement process with senior officers and members, through quarterly updates / workshops

# Improvement recommendations



## Governance

**Recommendation 13** Completion of an external assessment of Internal Audit against the Public sector Internal Audit Standards should be prioritised and a rolling schedule of committee effectiveness reviews should be implemented.

**Why/impact** The Council is newly established and therefore has limited information with which to judge the effectiveness of its governance structures and arrangements for the provision of Internal Audit services has changed since 21/22. External assurances provide a view on and recommendations for improvements that ensure Internal Audit, and the Council's committees, continue to be effective in their role.

**Summary findings** An external assessment against the standards must be completed at least every five years and the timing of the first external assessment is yet to be agreed with the Executive Director of Finance, Head of Audit & Risk and Chair of the Audit and Governance Committee.

There is no evidence of committee effectiveness reviews having been undertaken for 21/22 on any of the Council's committees, with the exception of the Audit & Governance Committee.

**Management Comments** Internal PSIAS assessment will be completed alongside a development plan with a view to an external assessment in due course

**Recommendation 14** The Council may seek to strengthen the budget setting process going forwards by incorporating scenario planning.

**Why/impact** Analysis such as scenario planning can be important tools in ensuring that estimates used in budgeting are robust and allow Council's to effectively plan for a range of possible eventualities before they occur.

**Summary findings** Often in Council budgets plan for optimistic, pessimistic, realistic scenarios however there is no such evidence of this in either the draft or final budget for 22/23 or 21/22. This is an active choice by the Council not to undertake this type of analysis and instead the MTFP is developed based on prudent costs and income assumptions. Given the uncertainty for the future highlighted in the MTFP around business rate reforms, further disaggregation of services and fair funding review as well as the fact that at Q1 the Council is deviating from its balanced budget for 22/23 the Council could have benefitted from estimating at least a pessimistic scenario for 22/23 an action plan could be put in place ahead of time that could be easily mobilized as the scenario occurred.

**Management Comments** We do this within the finance business partner team when's supporting services on calculating the cost of future demand, where it is not an exact science as information is not certain. Following on from this work, we then go with a prudent view when factoring the financial implications in the budget.

For future budgeting rounds we will consider worst case scenario, likely and best case scenario.



# Improvement recommendations



## Governance

**Recommendation 15** The Council should consider reviewing the remit of the Overview and Scrutiny Committees, ensuring meeting agendas strictly adhere to that remit and redistributing agenda items to more appropriate channels as required as a way of ensuring Committee resource is focused on key strategic priorities.

**Why/impact** The Overview and Scrutiny function play a key role in supporting Cabinet in their decision making via challenge and escalation. To be effective it is important that the function focuses on areas of focus which most likely or most strongly impact the Council's ability to meet its objectives.

**Summary findings** The Council has established three Overview and Scrutiny Committees (OSC): Place, People and Corporate. These committees are made up of councillors from different political groups who monitor Cabinet decisions, advise Council on decisions, contribute to developing policy and review decisions that have been agreed but yet implemented for further challenge. They play a vital role in ensuring that decision-making at the Council is transparent, open and honest. The committees have been very active in year, often meeting monthly with a high volume of wide ranging agenda items being taken to each. Each committee approved its remit at the start of the 21/22 year, however there is evidence of topics outside of this remit being debated. As such there is a potential lack of focus of the OSC functions, this was also highlighted by an in year peer review.

**Management Comments** **An external review of the scrutiny arrangements has been recently carried out by the Centre for Governance Scrutiny (CfGS) and the recommendations are in the process of being implemented**

**Recommendation 16** The Council should identify a suitable forum with which to update members on the progress of the judicial review and, in particular, lessons learned

**Why/impact** To ensure that similar issues with other land sales do not reoccur causing further judicial reviews or legal cases of this nature.

**Summary findings** The Council has had a Judicial Review brought against it in relation to a land sale approved in the 21/22 financial year. The review disputes and aims to investigate whether the Council followed due process in selecting a preferred bidder in the sale. The outcome of the review is still unknown as the case has not closed at the time of writing. Although Cabinet was updated on the land sale itself there has been limited updates on the Judicial Review, this is because Cabinet is a decision making body and no further decisions have been made a result of the review. However to ensure that lessons are learned from the process members should be updated via an appropriate forum.

**Management Comments** **Senior officers informally brief the leader and Cabinet members as things develop.**  
**Once the outcome of the judicial review is known appropriate Communications will be issued to all members.**  
**All identified failures will also be assessed with members informed of changes resulting from a successful challenge.**

# 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.

## Non-Financial Reporting and Data Quality

The Council reports its non-financial performance to the Cabinet via a series of Key Performance Indicators (KPIs) which directly link to the priorities within the Council's Corporate Plan which was approved in June 21. The metrics included in this report have been chosen based upon the priorities identified within the corporate plan and consultation with both the Executive Leadership Team (ELT) and Cabinet members this has been consistent throughout 21/22 and 22/23 to date. These are all considered relevant to their services, cover the 6 key priorities within the Plan and illustrate performance across a range of the Council's operations in each area. As such there are no obvious or immediate gaps in the performance information which decision makers use to inform directorate and service level decisions.

None of the metrics with a target are significantly failing those targets on the year end performance figures and those without targets show a stable trajectory therefore no risks have been highlighted by the reporting in relation to the performance, and therefore quality of services being provided by the Council.

Reports to Cabinet are quarterly which is sufficiently regular and in line with other Councils that publicly report KPIs, review behind the scenes by the Executive Leadership Team (ELT) is more regular and therefore ensures that there is a mechanism for identifying and escalating any areas performance which require more immediate action to be taken. The fact that this report is taken to Cabinet, who are the top tier decision makers of the Council, is good practice and ensures equal attention is paid to financial and non-financial performance of the Council.

There is a time lag of 2-3 months between the date the performance is related to and the date it is presented to Cabinet, this can mean that information is slightly outdated by the time it is reviewed by members however given that there is extensive monitoring by ELT and directorates between Cabinet meetings this is not a risk to identifying and acting on any performance issues highlighted by the reporting.

Non-financial performance is scrutinised at Corporate Overview and Scrutiny Committee (OSC) in the meeting immediately following the relevant Cabinet session at some points during the year. This does not occur for every quarterly report, however, there are no significantly underperforming KPIs noted and therefore this is appropriate as Scrutiny resources should be targeted at performance based on need. There is evidence of more consistent reporting to Corporate Overview and Scrutiny Committee in 22/23 to date with the Q1 report having been reported having not been in the prior year. This reflects the fact that there has been a review and changes to the KPIs in the report since 21/22 with Scrutiny input sought to ensure that the KPIs remain reflective of the organisation and fit for the purposes of monitoring performance effectively.

Overall there is continual and consistent scrutiny of non-financial performance. Performance is reviewed by four layers of the organisation - by directorates, by ELT prior to Cabinet, by Cabinet and by Corporate Overview and Scrutiny Committee where required. An Annual Report of full year performance of each directorate, including their KPIs, is also taken to Full Council for their approval. This is extensive and comprehensive in terms of layers of review of performance flowing through all levels of the governance structure in place and therefore is notable practice. The Council rely heavily on this review and scrutiny process to ensure the data accuracy of the information in the reports, ongoing liaison with the individual services is key in allowing them to highlight discrepancies which can then be investigated and resolved as required. The data that underpins financial reporting is scrutinised more intensely as the Council use a self-service portal where budget holders monitor financial performance live as well as having a Finance Business Partnering Team who produce management accounts each month, which includes review of financial information at this stage. The directorate management team (DMT) then review, check and challenge the information. Following this the information from each service is consolidated to create a full council wide finance report which is scrutinised by the Director of Finance, ELT, Portfolio Holder for Finance, Cabinet and Corporate OSC.

As an additional layer of scrutiny the Director of Finance undertakes a weekly informal meeting with Finance Portfolio Holder and assistant Cabinet member to ensure they understand the financial performance of the Council and have an additional opportunity to challenge. Therefore there are multiple layers of checks and challenge of financial performance designed to ensure accuracy, starting with those closest to the information at service level.

**Improvement recommendation - data accuracy checks are heavily weighted towards financial information and therefore the Council should consider developing a data quality policy to ensure there is a clear procedure for both financial and non-financial information that ensures that the data used in reporting performance is as robust and reliable as possible.**

Members are well engaged and contribute a good level of discussion in relation to the KPI reporting, this centres on both the performance of individual directorates as well as the format of the reporting itself to suggest improvements. This demonstrates that Members are aware of performance, have a strong understanding of its impact on the ability of the organisation to meet its objectives, are engaged and are committed to ongoing improvement in how performance is managed.

Following the end of the first year of West Northamptonshire Council a review was undertaken on the metrics included in this report in order to ensure that the reporting to Cabinet is representative of the Council's priorities. This work was undertaken in full consultation with both the Cabinet and with all directors via ELT. This resulted in a streamlining of the KPI reporting with some metrics removed from the corporate scorecard and some included as new metrics this year. Those metrics which were removed are still monitored through the relevant director scorecards and ensures that there is comprehensive performance monitoring at the appropriate levels of the organisation which effectively allows Cabinet to focus on the strategic issues the Council may face and those metrics which may impact priorities in the Corporate Plan. This is evidence of the ongoing improvement journey and evidence that member scrutiny does result in tangible changes.

The format of the reporting demonstrates the performance with comparison to target and prior period in a graph, supported by a detailed dashboard in an appendix showing trend in performance over time, target, year to date performance and some benchmarking information. Although the information is easily accessible as it is presented in two formats it could benefit from further improvements, such as using RAG (Red, Amber, Green) rating to easily highlight those metrics which are underperforming and including a target for all metrics. This allows member discussion and resources to be readily targeted at those areas.

Accompanying each metric in the report is narrative information which generally focusses on why the performance has occurred but has limited information on the actions being taken to address performance going forwards. This information would be beneficial to decision makers on areas of underperformance, particularly if sustained over several periods. The annual report does provide more information on actions taken in year for each directorate and sub service but this is a retrospective view, decision makers would benefit from a forward look of what services plan to do to impact performance where it is below target so they can monitor progress and outcomes of those actions and hold officers to account.

**Improvement Recommendation - the Council should continually review and consider updates that can be made to the non-financial performance reporting against the Corporate Plan to ensure that decision makers can easily identify those services which are underperforming and the actions that will be taken to address that underperformance**

The KPI dashboard is set up to include benchmarking for the statutory neighbour organisations, national and regional however at Q1 22/23, despite updates to the report, only 17 of approx. 60 metrics include a benchmark. Members have queried in year how the Trust compares to other organisations on certain metrics and therefore there is an appetite by decision makers to ensure they are provided with this information more frequently to help inform decision making.

In addition to Council wide performance reporting through the Corporate Plan KPIs the Council also receives non-financial performance information from the Children's Trust and from suppliers for key contracts such as those in Environmental Services, Highways and Waste Management. For most of these the information is in the format of a RAG rated KPI dash board, the information is provided consistently and in a timely manner and allows effective monitoring of the quality of other services being delivered. In relation to Waste Management the Council is able to directly access performance information and so has a live picture of changing quality and delivery. The information provided by these methods allows inward looking analysis to take place, with a clear picture of trends over the year, comparison to prior year and comparison to target. However, like the Council's own KPI reporting there is the opportunity to include benchmark data to allow comparison to national, regional or similar organisations data to further support decision making.

Discussion with Executive directors confirmed that benchmarking does take place but is more informal and behind the scenes of the KPI report. This approach is seemingly more advanced in Children's Services, which reflects the targeted approach being taken to improve quality following the inheritance of the County Council services and quality rating. The Director for Children's Services is part of regional and national networks, as part of these networks they look to other examples of Children's Trusts and the Council has key staff and advisors with previous experience of working with Children's Trusts, therefore the Council has been able to use several sources of information to help them navigate the delivery of services through the Arms-Length Organisation (ALMO) model.

**Improvement recommendation – the Council should explore ways that it can develop and formalise a benchmarking approach across the organisation, particularly within the Council wide KPI reporting dashboard, to ensure that decision makers have comparator information with which to effectively inform decisions in relation to specific services.**

## Northamptonshire Children's Trust

The Council's most significant partner is the Northamptonshire Children's Trust which is a wholly owned local authority company for the provision of children's social care services, owned by West and North Northamptonshire Councils following the transfer of children's services from Northamptonshire County Council upon unitarization in April 21. The company was established as a result of "Inadequate" Ofsted inspection provided to the County Council which led to Department for Education intervention which mandated a company be set up for the provision of children's social care services. It is a company limited by guarantee, and therefore is an Arms Length Organisation (ALMO), which delivers most children's services with the exception of education which has been retained by the Council itself.

Governance arrangements between the company and the Council were set up prior to unitarization and have been effectively adapted to apply to the new Council structure. The governance arrangements are formally documented and include a clear reporting structure and well defined roles and responsibilities between the Council's and the Trust. We have observed the arrangements being applied and followed consistently throughout 21/22, engagement from the Trust and ongoing liaison between the Trust and Council officers. Currently there are no plans to review the governance arrangements in the immediate future as officers feel they are effective and fit for purpose.

The Council may consider establishing a mechanism with which to review arrangements, confirm they are working in practice and make adjustments as required should their effectiveness change. This could be achieved by a standing agenda item at one of the Council or Trust committees or an effectiveness review. The frequency and level of review should reflect the risk being presented by the partnership, as we have observed the arrangements operating effectively, good financial and non-financial performance of the Trust in 21/22 and them being reviewed and adapted at the start of the year they are considered to be up to date.

Delivery of Children's Services is a statutory responsibility of unitary Councils and therefore although the Trust is set up to provide these services the Council remain responsible for ensuring children's services of an appropriate volume and quality are provided to residents. Under the formal governance arrangements the Council sets the strategic outcomes and priorities whilst the Trust is responsible for delivering those outcomes and therefore statutory responsibilities are fulfilled under the arrangement. The Trust remains operationally independent as it has its own Trust Board, Chief Executive, NEDs, Chair and Executive Team as well as its own Committee set up. The Council also has its own separate Executive Team, members and officers.

The Trust is held accountable for its financial and non-financial performance by its own leadership team and also the Council via the governance structures in place. Contractually the Trust must provide the Council with regular reporting on financial and non-financial performance. It does so via monthly financial monitoring reports and a monthly KPI dashboard. Having reviewed the KPI dashboard for 21/22 we note that there is limited red-rated performance in year and all KPIs are amber or green rated at year end and therefore performing on or sufficiently near their target. This is positive performance and shows an improvement trajectory over the year. In terms of financial performance the Council's Children's Services Directorate produced an underspend position of £477k for 21/22.

Initially the Trust had produced an overspend position of £37.m on the total contract sum agreed with both Council's but was able to covert this to an underspend position by year end and thus contribute to the underspent position of the directorate overall. However it is noted that this was achieved following the transfer of Covid-19 funding from the Councils to fund pressures attributed to the pandemic and application of contingency set aside as a result of a prior year underspend. As such the financial performance of the Trust requires close monitoring and attention in 22/23 as these are non-recurrent funding sources that will not be available should the Trust overspend in 22/23.

The KPI report provided by the Trust has been consistent in its format and the data included throughout the year. The KPIs were developed by both Council's in conjunction with the Trust and finalised in September 21 to ensure they were reflective of the activities of the Trust and the performance expected. There are clear explanations for performance, summarized information and RAG rating in the report to draw attention to those areas where actions may be required. The data also shows the direction of travel and therefore clearly shows the improvement in performance over the year. To ensure that the Council members and Executives are sighted on Trust performance Children's Services metrics in their own KPI dashboard cover all aspects of Children's services, including those delivered by the Trust. As such we believe that there is an appropriate flow of non-financial performance information between the organisations.

The format of the Trust Financial Monitoring Report has changed in year. The reporting the Trust provided in the first half of the 21/22 financial year was most aligned to the Council's own financial reporting and the information included of most benefit to Council decision makers in helping them make informed decisions. Like the Council's reporting it includes forecast outturn position against budget at directorate level but also individual service level, it also includes information on savings RAG rated and the cause of each key variance is explained and the actions being taken to address these. In the latter half of the year the financial reporting has become more summarized in nature, it still includes forecast outturn at directorate level and key variances and their causes but has limited service level information, actions being taken and savings information. There is however some useful trend data on placements which are the factor driving demand.

**Improvement recommendation - Therefore we might suggest that a consistent approach to financial reporting from the Trust would be beneficial and aligned to the Council's own reporting and the Council should work with the Trust to develop a standardised report which maximises the benefit of the information being provided within the constraints of Trust resources and contractual obligations**

To ensure an appropriate flow of information between the Trust and the two Councils there are series of joint committee structures between the two Councils and the Trust which operate separately from the individual organisations and ensure that there is joined up discussion on children's services. Each Committee has a specific remit as below:

- **Children's Trust Joint Committee** - The committee is hosted in alternate years by North Northamptonshire Council and West Northamptonshire Council discharges functions on behalf of the two councils. The meeting is attended by Members of both Councils as well as key officers from both Councils such as the Chief Executive, MO, S151 and Director Children's Services as a minimum. Discussion is wide ranging but essentially relays information from the Trust level meetings as well as receiving an annual report on Trust performance in line with their contract each September. As such there is a clear flow of information from the Trust to both Councils. The minutes and meetings for this committee are publicly available on both Council websites and as such there is also transparency of Children's Trust activity. This is appropriate given the focus on this services following previous Ofsted inspections and the fact this is an overspending service across the LG sector which requires close monitoring due to demand led pressures.
- **Operational Commissioning Group** - This group meets monthly and reviews the KPI dashboard, financial monitoring reports, issues and opportunities. It also received any ad-hoc reports which assist the Trust in relaying information across all aspects of its performance, examples in year have included their positive self assessment against Ofsted criteria for Adoption Services, risk register and Internal Audit Reports. These meetings include senior representatives from all organisations including Trust Managing Director, Finance Director, Senior Social Work Leads for the Trust, Deputy S151 from both Councils, Director for Children's Services from both Councils, Commissioners and Department for Education representative. There is extensive discussion focused predominantly on performance with challenge, questions and responses provided in detail.
- **Strategic Commissioning Group** - This group meet quarterly and it is chaired by portfolio holder for Children's Services, they receive the same information as the Operational group in a more summarized format and therefore provides an additional layer of scrutiny for the performance of the Trust. The focus is on performance, weighted towards mitigating actions as opposed to reasons for performance discussed by the Operational group. Therefore there is a clear distinction in role and different value added by each group. Like the Operational meetings they are well attended by both Councils and the Trust, questions are detailed and are more strategic in nature. It is attended by the portfolio holders, statutory officers and the DFE.

In addition to the Trust delivering children's services on behalf of the Council, the Council also provide support services, such as IT, HR, Procurement and some aspects of finance such Accounts Payable to the Trust. The Councils provide these services to the Trust so that the Trust have appropriate administrative functions in place to allow them to focus on their expertise in delivering children's services and also benefit from economies of scale.

In addition to the Commissioning Groups above the governance arrangements also include a Support Services Board which reviews performance of this element of the contract, discuss issues and opportunities. The Board has met sufficiently regularly over the year, is well attended by the Council and Trust representatives, has highlighted appropriate performance of the Council in delivering its contractual obligations and good engagement of officers from all organisations is observed at this meeting and those of the commissioning groups.

These arrangements, as noted, sit outside of each of the organisations. Council or Cabinet have not received an update in relation to the Children's Trust in 21/22 and, although financial reporting of the Trust is incorporated into the Council's own financial reporting the non-financial KPIs related to the Children's Services delivered by the Trust are not incorporated into the Council's own KPI reporting. Therefore not all members are sighted on operational performance of the Trust, but are effectively sighted on financial performance. People Overview and Scrutiny Committee at the Council receive an update on Children's Services throughout the year focused on Ofsted visits and updates. However they do not include the Children's Trust KPI reporting.

**Improvement recommendation - Members would benefit from greater oversight of the non-financial performance of the Children's Trust. The Council should explore ways this can be achieved which may include an annual update on performance or inclusion of Children's Trust KPIs into the Council wide KPI reporting. This will ensure to there is transparency at the top level of the organisation on Children's services.**

Under their contractual obligations the Trust must attend scrutiny meetings of each Council to allow challenge of their performance and decision making within the Council's internal framework. This ensures that there is member input into the Trust services and not just officer engagement. The Trust attended the February 22 meeting, therefore the Trust do open themselves up to the scrutiny process however this is limited within the financial year via this route. The fact that the Trust have been involved in the Star Chamber process which is an intense review of their finances as part of the budget setting process and this is also planned for 23/24 mitigates some of the risk.

The Council have limited control of how the Trust delivers services and the associated costs, however evidence has confirmed that there is a strong level of communication throughout the year between the Trust and Council officers, both formally and informally, which provides sufficient information to the Council to understand how the Trust is performing. There have been no significant issues noted in performance for 21/22.

The Children's Trust budget is developed by the Trust and proposed to the Council as a contract sum during their budget setting process. There is a contract negotiation process where the Finance Director of the Trust presents the proposed resource requirement based on forecast demand and the Council Finance leads undertake a reasonableness test on the information. The Council are reliant on the Trust processes being robust as they do not have access to the Trust ledger and therefore responsibility for the accuracy of the information sits with the Trust. To mitigate some of this risk the Council do a reasonableness test on demand figures, ensure that the Trust Finance Director presents the rationale for all elements of the budget and challenge via the Council's own budget setting process.

The Children's Trust have been involved in the intensive 'Star Chamber' budget process at the Council, attending their own dedicated session. The Finance Director of Trust has engaged well with this process and therefore the Trust have actively opened themselves up to an extensive level of financial scrutiny. The Trust have their own external auditors and are subject to Internal Audit to provide some assurance to the Council via this route. The results of these reviews in 21/22 have not raised any significant weaknesses in arrangements. Therefore although the Council is limited in the actions it can take due to the lack of control of Trust finances it does take some action to satisfy themselves of the appropriateness of the information being received. Further improvements are being sought due to the lack of access to the ledger, the Council are wanting to do a reconciliation process so they have more assurances and discussion with Trust to develop this process remains ongoing.

Overall we would suggest that the arrangements between the Council and the Trust are robust and deemed to be effective in practice. In addition the purpose of the Trust was to deliver quality children's services which ultimately would improve the inherited 'inadequate' Ofsted rating. Ofsted inspected Children's Services in October 22 and this has resulted in the rating being upgraded to 'requires improvement' moving towards 'Good' which demonstrates a positive improvement and direction of travel in terms of quality of the service provided under the current arrangements. Essentially the arrangements have been fit for purpose and have delivered the outcome intended.

## Capital

The Council established Procurement Strategy which was approved and implemented in September 2021. The strategy sets out a two-year vision for the Council and determines the services and products the Council intends to procure in order to achieve that vision. It is closely aligned to the Corporate Plan as the overall vision is the same and as such ensures that the contracts the Council enters into are done so with a view of meeting its objectives.

The Strategy is then supported by a set of policies and procedures which ensures procurement exercises are fair, transparent and achieve value for money. The Council's Constitution includes Contract Procedure Rules, which set out the rules and procurement thresholds for buying, renting, and leasing of goods, services and works for the Council which must be adhered to for each procurement exercise. It clearly sets out the roles and responsibilities when procuring products and contracts and evidence has been observed over the 21/22 year that the Council operates a transparent process in relation to procurement. Major contracts are supported by business cases and approval of major contracts is required by Cabinet before proceeding, several examples of discussion at Cabinet have been included relating to a major highways contract and an income management system in year. The policy highlights a minimum number of suppliers should be considered depending on the value of the contract and that there is a clear option appraisal. The procurements observed via Cabinet have fulfilled the minimum number of bidders considered and there is a clear consideration of realistic options, including doing nothing, each time a project is discussed. As such no departures from the internal policy has been observed.

All contracts over £100k are initiated by a central procurement team, evaluated via a competitive tender process and this is managed by the contracts governance team. Since October 22 this team have been checking requests over £5k to analyse the volume of such requests, total spend and ensuring alignment to priorities. This adds an additional layer of scrutiny to ensure that procurements are in the best interests of then Council.

The Council fulfills its legal obligation and requirement of the Contract Procedure Rules by producing and publishing a Contract Register which is a record of the contracts held with a value of £5,000 or more. The register is managed by the Procurement Team, the register is a live document which is populated as soon as the procurement process is initiated. Suppliers are only added once the contract is fully approved in line with the Contract Procedure Rules and spend can be allocated. This approach ensures transparency from the outset of the process however in the Team's eagerness to ensure the utmost transparency it has been identified, as a result of our queries, that several non-commercial contracts have been recorded unnecessarily in the register. As a result a full review of the register has been undertaken and non-commercial contracts removed. Further guidance will be needed to ensure there is clarity of requirements of the register for the Procurement Team so that they do not over disclose using additional resource to do so.

Contracts have been awarded in year via a variety of methods including via direct award, tender and quotation and all are permitted by the contract procedure rules Contract Procedure Rules. There is no evidence of a significantly larger proportion of contracts having been awarded by direct award or a significant number or value or number of contracts being awarded to a particular or small number of suppliers. As such there is no evidence of an unfair process procurement process being undertaken by the Council.

The Capital Strategy sets out the Council's objectives in respect of its future capital programme plans and budget commitment and is presented to Council for approval as part of the Council's annual budget-setting process in February each year. During its first year, the Council has undertaken significant work to improve and enhance the capital planning, approval and monitoring processes, including the establishment of the Capital Assets Board to ensure a robust capital programme with appropriate risk identification and mitigations is developed. Service Managers bid, as part of the annual budget setting process, and throughout the year, to include projects in the Council's Capital Programme. Finance collate the bids and calculate the financing cost to create an initial proposed programme. The Executive Leadership Team and Capital Assets Board will then review and assess the bids by examining the project's contribution to service priorities and financing costs. Full Council ultimately has final approval of the programme through the budget approval process. Therefore there is a clear multi-layered approach to the development of capital plans which starts with services and flows each strand of the Council's governance structure.

Monitoring of the Capital programme is undertaken quarterly by Cabinet in addition to directorate/service level monitoring, which is more frequent. This follows the same pattern as the revenue monitoring and is a common approach across similar Councils. The approved Capital Programme is managed through defined groups / Boards which includes the Executive Leadership Team, Capital Assets Board and Individual Project Board Groups and therefore again demonstrate a multifaceted approach to the monitoring as well as the developing of the capital programme and as such sufficiently close attention is paid to this which is equal to that of the revenue performance.

The format of the Capital Monitoring Report ensures that there is analysis of expected performance over the medium term in numerical and narrative format. Analysis is presented at individual scheme level as well as at Directorate and whole Council level. As such information on capital is sufficiently granular to allow decision makers to easily identify which schemes may be causing any overall slippage or overspend without them being masked by overperforming schemes.

As the capital process is embedded into business as usual for the authority, processes are being refined and services now have an improved understanding of the schemes inherited from legacy authorities. Therefore the capital monitoring reporting is updated each quarter to reflect the new and more accurate information and transparently reported to members.

The latest Capital Expenditure Provisional Outturn at year end was £51.5m against a budget of £71.5m and therefore shows an underspend. An overspend can, in some cases, suggest poor financial management and lack of control of costs and therefore the underspend being observed is positive in this sense. However slippage, can put pressure on future years, and therefore does also need close monitoring to ensure slippage is not exacerbated further. The Council has inherited 240 capital projects from its predecessor councils and is in a transition phase, as such some slippage is to be expected as in train projects continue whilst the Council mobilises its own governance structures around approving future projects. Projects and procurements taken to Cabinet for approval in 21/22 demonstrate consideration of several options, financial and non-financial factors and a solid level of discussion before approval is granted. As such the governance arrangements that have been developed for projects that the Council hasn't inherited are operating well.

The Capital Assets Board plays a key role in monitoring and managing these inherited schemes in order that the Council can establish tight control over projects that were not originally passed through their own governance arrangements. The Board meet every 6 weeks and discussion is lead by 3 cabinet members, senior staff and the capital officer. This Board manages whole capital programme, and receives detailed reports on major projects which focus on spend, risks, progress and deliverability for these schemes. They have successfully fulfilled their remit in 21/22.

### Conclusion

Overall, arrangements to secure economy, effectiveness and efficiency are appropriate in relation to capital, key partnerships and non-financial reporting. The Council does have multiple partnerships which will be reviewed in future VFM reviews to ensure that arrangements are consistent across these relationships. Improvement recommendations have been made but these are suggested as methods of achieving best practice as opposed to correcting underperforming arrangements at the Council.

# Improvement recommendations



Improving economy, efficiency and effectiveness

**Recommendation 17** The Council should consider developing a data quality policy to ensure there is a clear procedure for both financial and non-financial information

**Why/impact** For effective decisions to be made the information on which they are based should be robust, accurate and reliable.

**Summary findings** Data accuracy checks are heavily weighted towards reported financial information as opposed to non-financial information.

**Management Comments** **The requirement to produce a data quality strategy has been included in the remit of one of the new roles in our Business Intelligence service and will be completed in 23/24**

**Recommendation 18** The Council should explore ways that it can develop and formalise a benchmarking approach across the organisation, particularly within the Council wide KPI reporting dashboard

**Why/impact** To ensure that decision makers have comparator information with which to effectively inform decisions in relation to specific services.

**Summary findings** The KPI dashboard is set up to include benchmarking for the statutory neighbour organisations, national and regional however at Q1 22/23, despite updates to the report, only 17 of approx. 60 metrics include a benchmark. Members have queried in year how the Trust compares to other organisations on certain metrics and therefore there is an appetite by decision makers to ensure they are provided with this information more frequently to help inform decision making. Benchmarking does take place but is more informal and behind the scenes of the KPI report. This approach is seemingly more advanced in Children's Services

**Management Comments** **The council considers available benchmarking data as an integral part of our corporate performance reporting and dashboards.**



# Improvement recommendations



## Improving economy, efficiency and effectiveness

**Recommendation 19** The Council should continually review and consider updates that can be made to the non-financial performance reporting against the Corporate Plan

### Why/impact

To ensure that decision makers can easily identify those services which are underperforming and the actions that will be taken to address that underperformance. This allows members to more easily track progress and impact of those actions on underperforming services and hold relevant service heads to account where required.

### Summary findings

Although non-financial reporting information is easily accessible it could benefit from further improvements, such as using RAG (Red, Amber, Green) rating to easily highlight those metrics which are underperforming and including a target for all metrics. This allows member discussion and resources to be readily targeted at those areas.

Accompanying each metric in the report is narrative information which generally focusses on why the performance has occurred but has limited information on the actions being taken to address performance going forwards. This information would be beneficial to decision makers on areas of underperformance, particularly if sustained over several periods. The annual report does provide more information on actions taken in year for each directorate and sub-service but this is a retrospective view, decision makers would benefit from a forward look of what services plan to do to impact performance where it is below target so they can monitor progress and outcomes of those actions and hold officers to account.

### Management Comments

**The council continually reviews and considers updates to our performance reporting and this is discussed on a quarterly basis with DMTs, ELT and EPB to ensure measures are relevant and meaningful.**

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 20

The Council should explore ways to work collaboratively with the Children's Trust to improve financial and non-financial reporting, specifically:

- Developing a standardised financial report which is presented consistently throughout the financial year and aligns to the Council's own financial reporting
- Including an annual standing agenda item at the Cabinet (or relevant Committee) to provides a summarized update on the performance of the Children's Trust
- Including Children's Trust non-financial performance KPIs within the Council's own non-financial reporting

### Why/impact

As a key partnership of the Council which has a significant impact on the financial position and quality of Children's Services it is important that the performance reporting provided by the Trust is consistent, adapted as required and remains fit for purpose.

### Summary findings

The format of the Trust Financial Monitoring Report has changed in year. The reporting the Trust provided in the first half of the 21/22 financial year was most aligned to the Council's own financial reporting and the information included of most benefit to Council decision makers in helping them make informed decisions. In the latter half of the year the financial reporting has become more summarized in nature, it still includes forecast outturn at directorate level and key variances and their causes but has limited service level information, actions being taken and savings information. There is however some useful trend data on placements which are the factor driving demand.

Council or Cabinet have not received an update in relation to the Children's Trust in 21/22 and, although financial reporting of the Trust is incorporated into the Council's own financial reporting the non-financial KPIs related to the Children's Services delivered by the Trust are not incorporated into the Council's own KPI reporting. Therefore not all members are sighted on operational performance of the Trust, bur are effectively sighted on financial performance. People Overview and Scrutiny Committee at the Council receive an update on Children's Services throughout the year focused on Ofsted visits and updates. However they do not include the Children's Trust KPI reporting.

### Management Comments

**The Children's Trust has an intelligent client function(hosted by North Northamptonshire Council) who support both councils and the Trust in terms of standardising financial management information, ensuring financial information is clear and concise and working through the respective governance routes in respect to monitoring and budget setting.**

**Stakeholders from both councils also attend various formal joint governance meetings with respect to the trust, where financial reports are discussed reviewed and challenged.**

**There are also a number of informal planning and review meetings with the Trust to ensure feedback from all partners on financial performance, reporting and budgeting is understood and at the necessary level required.**

**Lastly, the Trust attend various budget scrutiny sessions by each council to explain their current and future predicted financial position.**

# Opinion on the financial statements



## Audit opinion on the financial statements

Delays in completion of the 20/21 audits for predecessor bodies has delayed the production of the Councils draft 21/22 accounts and therefore our audit of them. We therefore issue our Annual Auditors Report in draft form pending completion of the audit.

## Whole of Government Accounts

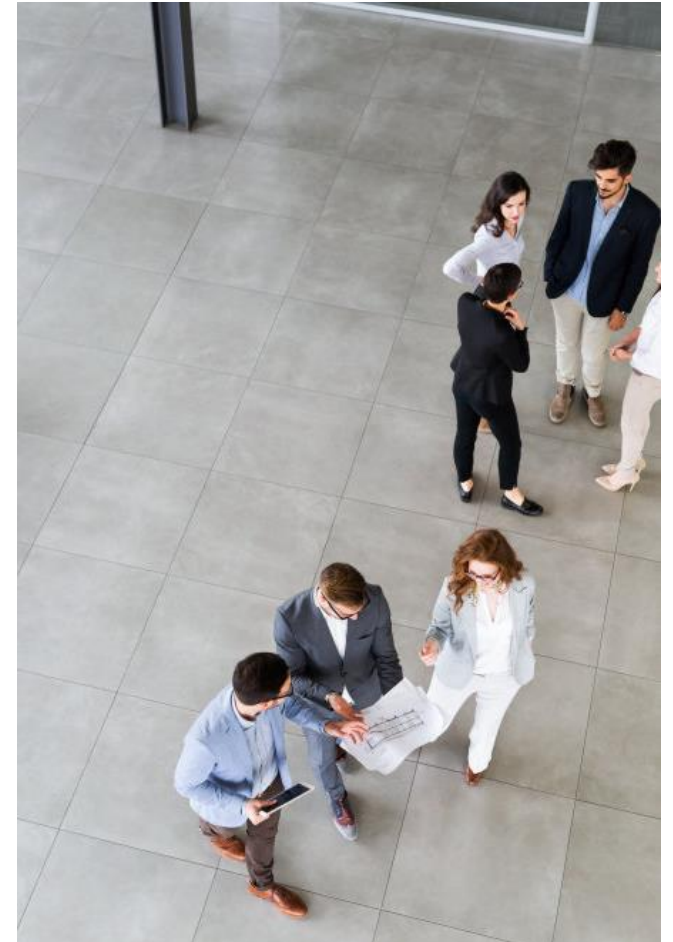
To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

## Preparation of the accounts

Delays in completion of the 20/21 audits for predecessor bodies has delayed the production of the Councils draft 21/22 accounts and therefore our audit of them. We expect to receive the draft accounts in February 2023.

## 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.

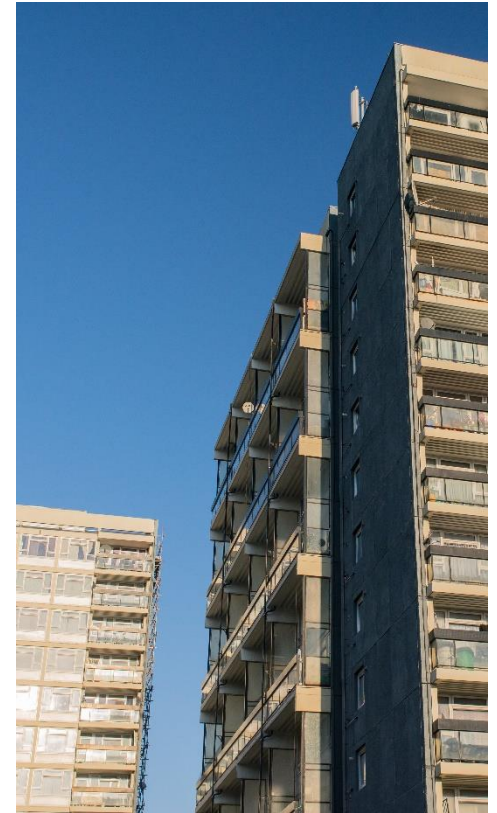
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



# Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
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	See relevant sections proceeding Financial Sustainability, Governance and 3E's narrative

# Appendix C – Sources of evidence



## Staff involved

- Martin Henry, Executive Director for Finance
- James Smith, Assistant Director for Finance - Strategy
- Anna Earnshaw, Chief Executive
- Sarah Reed – Executive Director – Corporate
- Catherine Whitehead, Director of Legal and Democratic (Monitoring Officer)
- Tony Challinor, Assistant Director of Commissioning and Partnerships
- Jen Morris, Head of Audit and Risk Management
- Rebecca Smith, Strategic Finance Business Partner
- Paul Atkins, Finance Business Partner
- Ben Pearson, Assistant Director for Education
- Rory Seymour, Commissioning Manager



## Documents Reviewed

- 21/22 and 22/23 Budget Report (including savings, capital and HRA)
- Medium Term Financial Plan
- Budget Strategy Process
- Capital Strategy
- Treasury Management and Annual Investment Strategy
- Reserves Strategy
- Budget Monitoring Reports (including HRA)
- Savings Monitoring Reports
- Capital Monitoring Reports
- Treasury Management Monitoring Reports
- Year-End Outturn Report
- Cashflow Forecast
- Corporate Plan
- Internal Audit Plan
- Internal Audit Progress Reports
- Internal Audit Annual Report (including Head of Internal Audit Opinion)
- Risk Management Strategy
- Corporate Risk Register
- Annual Governance Statement
- Constitution
- Counter Fraud and Corruption policy
- Whistleblowing Policy
- Councillor Gifts, Hospitality and Interests Declarations
- Non-Financial Reporting (KPI Performance Reporting Dashboard)
- Consultation and Engagement Framework
- Consultations (including Public Consultation on 22/23 Budget)
- Children's Trust Governance Arrangements
- Children's Trust Financial and Non-Financial KPI Reporting
- Minutes and Papers from Children's Trust Committee
- Committee Papers and Minutes (Council, Cabinet, Audit & Governance predominantly)
- Procurement Strategy
- Capital Approval Process
- Business Cases
- Contract Register
- Ofsted Report







# WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

14 June 2023

<b>Report Title</b>	<b>External Audit Progress Report and Sector Update</b>
<b>Report Author</b>	<b>Martin Henry Martin.henry@westnorthants.gov.uk</b>

## Contributors/Checkers/Approvers

<b>West MO</b>	Catherine Whitehead	<b>06/06/2023</b>
<b>S151</b>	Martin Henry	<b>01/06/2023</b>
<b>Head of Communications</b>	Becky Hutson	<b>06/06/23</b>

## List of Appendices

### Appendix A – Grant Thornton’s Audit Progress Report and Sector Update

#### 1. Purpose of Report

1.1. For our external auditors to present their progress report and sector update.

#### 2. Executive Summary

2.1 The Audit and Governance Committee has a standard agenda item for the external auditor to provide an update on any issues to report on, progress being made and topical updates from the sector. The report is either a written report or a verbal update. For this meeting a written update has been provided and that is attached as Appendix A. The report is produced by the Council’s external auditors Grant Thornton.

### **3. Recommendations**

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- 3.1 It is recommended that the Committee consider Grant Thornton's Audit Progress Report and Sector Update.

### **4. Reason for Recommendations**

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- 4.1 For the Audit and Governance Committee to effectively carry out its role in line with its terms of reference.

### **5. Report Background**

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- 5.1 Grant Thornton's Progress Report and Sector Update is included at Appendix A and will be presented by the External Auditor to the Committee.

### **6. Issues and Choices**

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- 6.1 The Committee could decide not to receive the report but in doing so it would not be appraised of current progress and particular issues currently affecting the sector. It therefore would not be discharging its responsibilities as well as it could be.

### **7. Implications (including financial implications)**

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#### **7.1 Resources and Financial**

- 7.1.1 There are no resource or financial implications arising from the report.

#### **7.2 Legal**

- 7.2.1 There are no legal implications arising from the report.

#### **7.3 Risk**

- 7.3.1 There are no significant risks arising from the proposed recommendations in this report.

#### **7.4 Consultation**

- 7.4.1 No implications

#### **7.5 Consideration by Overview and Scrutiny**

No implications

#### **7.6 Climate Impact**

No implications

**7.7 Community Impact**

No implications

**8. Background Papers**

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8.1 None.

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# West Northamptonshire Council Audit Progress Report and Sector Update

June 2023



# Contents

Section	Page
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Progress at June 2023	4
Audit Deliverables	6
Sector Update	7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:

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Key Audit Partner

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Assistant Manager

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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# Progress at June 2023

## Financial Statements Audit

Completion of our audit planning work has been delayed due to the ongoing 2020/21 audits of the predecessor bodies. Once these audits are completed we will complete our interim fieldwork for the 2021/22 audit. Our interim fieldwork includes:

- Reviewing the Authority's control environment
- Gaining an understanding of Authority's financial systems
- Reviewing Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

We are aiming to issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements in July 2023. We expect to begin our work on your draft financial statements in July 2023 and are expecting to receive your draft financial statements at the end of June.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by December 2023

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. A copy of our interim Auditor's Annual Report for 2021/22 is included on the agenda for this committee meeting.



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# Progress at June 2023 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim is ongoing and we expect to complete this work in October 2023.

### Meetings

We continue to have regular meetings with Finance Officers to discuss emerging developments and to ensure the audit process is smooth and effective. We have also met with your Executive Director of Finance as part of our quarterly liaison meetings to discuss the Authority's strategic priorities and plans.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	August 2023	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the December Audit Committee.	December 2023	Not yet due
<b>Auditors Report</b> This includes the opinion on your financial statements.	December 2023	Not yet due
<b>Auditor's Annual Report</b> This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	Interim: June 2023 Final: December 2023	Completed Not yet due

## Note

The above planned dates are based on us receiving draft 2021/22 financial statements at the end of June 2023. Any delay in receipt of the draft financial statements will impact on our delivery timescale.

2021/22 Audit-related Deliverables	Planned date	Status
<b>Housing Benefit Subsidy – certification</b> This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	October 2023	Not yet due

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# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

**Table 1 Audited accounts published by target date over the last six years**

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



# Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



# Local government procurement and contract management-

## Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector<sup>1</sup>. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

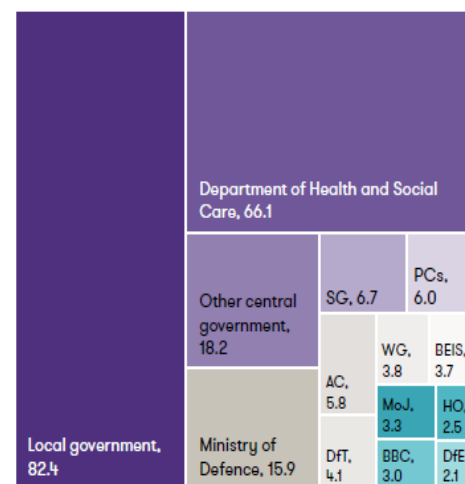
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

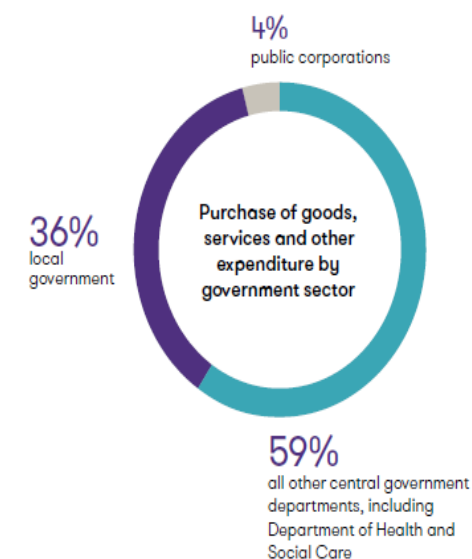
## UK public spending

Public spending on goods and services, £ billions - analysis by segment and department<sup>2</sup>



PCs Other Public Corporations AC Academies  
 DfT Department for Transport MoJ Ministry of Justice  
 WG Welsh Government BBC British Broadcasting Corporation  
 HO Home Office  
 DfE Department of Education BEIS Department of Business, Industry Strategy  
 SG Scottish Government

Goods, services and other expenditure by segment<sup>4</sup>



<sup>1</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>2</sup> Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021  
<sup>3</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>4</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

# SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".

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# Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

## Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.



# Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

## “Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

## Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole.

CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)

# Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



# Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

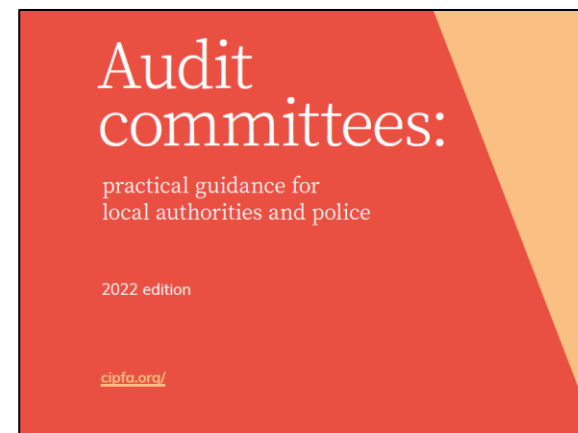
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
  - Governance, Risk and Control
  - Accountability and Public Reporting
  - Assurance and Audit arrangements
  - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





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Item no:
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## WEST NORTHAMPTONSHIRE COUNCIL

### AUDIT & GOVERNANCE COMMITTEE

14 June 2023

Report Title	Work Programme
--------------	----------------

#### 1. Purpose

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- 1.1. The purpose of this report is to provide an updated work programme for consideration by the Committee

#### 2. Recommendations

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- 2.1. It is recommended that the Committee considers and approves the work programme.

#### 3. Issues and Choices

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##### Information

- 3.1 Attached at Appendix A is an updated work programme for the Committee.
- 3.2 The work programme will evolve over time and the Committee is requested to consider the attached programme and highlight any other areas where they may wish to receive further reports.

#### 4. Implications (including financial implications)

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##### 4.1. Policy

- 4.1.1. There are no significant policy implications associated with this report.

##### 4.2. Resources and Risk

- 4.2.1. There are no financial and risk implications associated directly with this report.

##### 4.3. Legal

- 4.3.1. There are no specific legal risks associated with this report.



**West  
Northamptonshire  
Council**

#### **4.4. Equality and Health**

4.4.1. There are no specific equality and health issues associated with this report.

**Report Author: Martin Henry  
Executive Director – Finance  
S151 Officer**

Work Programme

	14 June 2023	26 July 2023	27 September 2023	21 November 2023	24 January 2024	27 March 2024
Minutes from the previous meeting	x	x	x	x	x	x
Local Government Ombudsman Report	x					
Information Governance report	x					
Update on Governance	x					
Internal Audit Plan 2023-24	x					
Internal Audit Annual Report 2022-23		x				
Internal Audit Progresss report	x	x	x	x	x	x
Audit and Governance Committee Annual Report 2022-23	x					
Annual Governance Statement 2022-23		x				
Annual Audit Report (WNC) 2021-22 (Grant Thornton)	x					
External Audit Progress report (Grant Thornton)	x	x	x	x	x	x
Annual Results Report (NBC) 2020-21 (Ernst Young)		x				
External Audit Progress Report (Ernst Young)	x					
Update on Budget Setting and Revenue and Capital Medium Term Capital Programme	x	x		x	x	x
Review of Committee Work programme	x	x	x	x	x	x

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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