Grant Thornton

Auditor's Annual Report on West Northamptonshire Council

2021/22

April 2023

Contents

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.

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

- (Green) No significant weaknesses in arrangements identified or improvement recommendation made.
- (Amber) No significant weaknesses in arrangements identified, but improvement recommendations made.
- (Red) 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 1st 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 5th 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 funding 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 24th 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 the 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 theses 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 and 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 arrangement 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 ion 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 was 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 monotiling 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 approached 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 is 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 Councill 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 lead 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 review 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 1st 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 sems 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' 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 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 Councils 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 Council's 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 Council's, 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, 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.

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 bene 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 Councill 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 co 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 it 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 mobilses 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. A 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 old relevant service head 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.

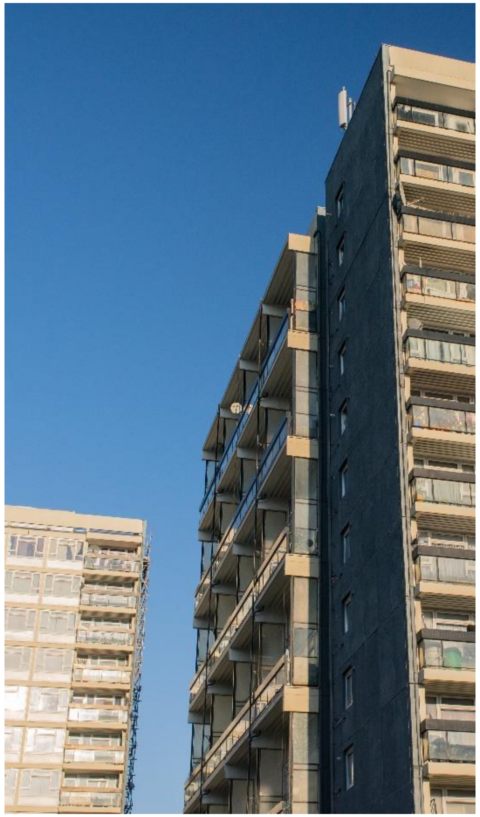
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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