

Interim Auditor's Annual Report on Brighton & Hove City Council

2022/23

September 2023



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

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



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

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Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2021/22 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements	Direction of travel
Financial sustainability	R Significant weakness in arrangements identified and a key recommendation along with an improvement recommendation have been made	R Significant weakness in arrangements identified, key recommendation made and two improvement recommendations raised	↔
Governance	A No significant weaknesses in arrangements identified, but one improvement recommendation has been made	A No significant weaknesses in arrangements identified but two improvement recommendations made	↔
Improving economy, efficiency and effectiveness	G No significant weaknesses in arrangements identified and no improvement recommendations raised	A No significant weakness in arrangements identified but two improvement recommendations made	↓

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

Executive summary



Financial sustainability

The Council finished 2022/23 with an overspend on the General Fund revenue budget of £3m. This was the first time in over a decade that it had produced an overspend – reflecting the seriousness of the financial pressures it faces. During the year, the Council instituted spending control measures to mitigate cost pressures. These proved effective and the final position was significantly below forecasts made earlier in the year. The overspend was funded by the working balance reserves.

The latest budget monitoring reports are showing a £14m forecast overspend on the General Fund revenue budget for 2023/24. A significant level of savings (23%) £2.947m of the £13.043m package is also reported to be at risk as per M2 budget monitoring reports. The Council instituted spending controls earlier in the year to mitigate the overspend position although the projections continue to be high. The 2023/24 financial forecast is worrying.

The medium term position is of significant concern. The budget gap for 2024/25 is currently forecast to be £25m and over £70m for the cumulative period of the medium term financial plan. The Council is currently spending and forecasting to spend far beyond its means in the medium term. The current medium-term savings requirement is treble what the Council has been able to deliver in the past three years. Beyond 2023/24, the level of identification and development of savings schemes is rudimentary. The Council's only reserves available to fund revenue budget pressures is its working balance. The current working balance is £6m as per the July update to the Strategy, Finance & City Regeneration Committee. Based on current projections, if the Council's 2023/24 forecast overspend were to materialise, the Council would fully deplete its reserves balance.

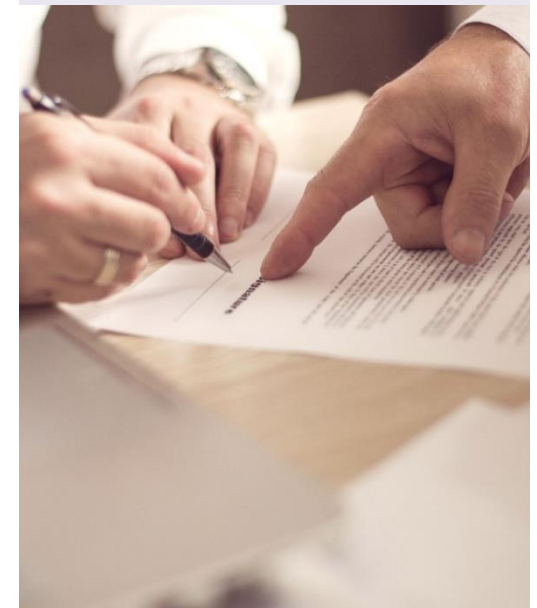
The Council's financial position has significantly worsened since our 2021/22 report which was presented to the January 2023 Audit & Standards Committee when we reported our judgement of a significant weakness in the Council's arrangements to ensure its financial sustainability.

The Council is aware of the financial challenge ahead and has responded by bringing forward the 2024/25 budget setting process and launching a multi-stranded approach to meeting the extraordinary ask. A step change in process has been instituted in order to put the Council in a financially sustainable position in the medium-term. We consider that a significant weakness in arrangements for financial sustainability remains for 2022/23. Due to the scale of the challenge ahead, we have considered whether we should exercise our statutory powers such as issuing a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act 2014. We acknowledge senior officers' representations about the work in progress to address the challenge and consider it appropriate to wait to see the impact of this work. We will continue to monitor the Council's progress over the next few months to address the 2023/24 forecast overspend and the 2024/25 and medium-term gap and if there are changes in the position which warrant escalation, we will revise our approach.



Financial Statements opinion

Our audit your financial statements is still in progress.



Executive summary

Governance

Our work has not identified any evidence of a significant weakness in arrangements with regard to governance. We have raised two improvement recommendations in relation to the Audit & Standards Committee and monitoring of the implementation of recommendations.

The Council has appropriate arrangements in place with regard to risk management. The implementation of the recommendations from the CIPFA 2021 review should help to further strengthen these arrangements. There was an effective internal audit service in place during 2022/23. No 'Minimal Assurance' audit opinions were issued during the year – which reflects positively on the Council's overall control environment. There were some significant changes to leadership and decision-making with the change in administration in May 2023. There is room for improvement with regard to the Audit and Standards Committee. We have raised an improvement recommendation in this area. The Council had appropriate budget setting arrangements in place during 2022/23 and has made efforts to adapt the process to accommodate the extraordinary challenges in the 2023/24 forecast overspend and 2024/25 and medium-term budget gaps.

Improving economy, efficiency and effectiveness

Our work has not identified any evidence of a significant weakness in arrangements with regard to economy, efficiency and effectiveness. We have raised two improvement recommendations in relation to the link between performance and financial sustainability and contract management.

The Council experienced positive albeit mixed performance with regard to its corporate Key Performance Indicators (KPIs) that support its Corporate Plan for 2022/23. The Council's use of benchmarking demonstrates a concerted effort toward determining evidence-based indicators and ensuring users of the reports are well-informed on how indicators are derived and therefore measured. The procurement function has improved significantly since our report in January 2023, moving from a Minimal Assurance internal audit opinion to a Reasonable Assurance opinion. There are, still, however, areas of weakness in contract management. The Council continues to work closely with partners as is demonstrated by the various partner relationships outlined. These partnerships continue to produce useful strategies and indicators of progress against which to measure efficacy.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

Key recommendations

Recommendation 1

The Council must urgently implement its step change in strategy to secure its financial sustainability. The Council is now in a position where it must consider a re-alignment of priorities to coincide with securing financial sustainability. This may involve making politically unattractive or undesirable decisions in the interest of the Authority's future viability. The Council must put effort toward exploring all opportunities for increasing income from fees and charges, potential fundraising opportunities, service transformation which may include significantly drawing back services to the statutory minimum, revision of policy priorities to ensure alignment with financial sustainability, reallocation of earmarked reserves, asset sales and alternative means of cost avoiding or income generating in order to bridge the 2024/25 budget gap (and subsequent medium-term gap) and address the currently forecast overspend for 2023/24.

Why/impact

The Council finished 2022/23 with an overspend that was funded by reserves. At present, the Council is set to overspend by £14m in 2023/24. If this overspend were to be funded by unearmarked reserves, this would fully deplete the £6m reserves balance. The Council is not in a sustainable position for the current year. The current medium-term savings requirement is treble what the Council has been able to deliver in the past few years. The ask is massive – the Council must organize itself accordingly.

Management Comments

As the commentary notes, a changed approach to the budget process for 2024/25 has been implemented and started early. This multi-stranded approach will cover key aspects including:

- A full review of the capital programme to assess its affordability, in capital financing terms, and its alignment with priorities;
- A renewed drive to maximise efficiency through the use of technology, digital investment, service redesign & automation, and partnership working;
- A holistic review of fees & charges and other income generation opportunities;
- Structured use of comparative cost data to identify comparable authorities who are providing services of reasonable quality at lower cost including consideration of insourcing or outsourcing;
- The use of external peer reviews and other research to help inform cost and service improvements;
- A corporate review process to look at the overall organisation of the council, alignment with Council Plan priorities, and effectiveness of collaboration across services and partnerships.

The council-wide workstreams within the budget process are being managed at a programme level with identified lead officers and timelines. The approach recognises that the council is spending beyond its means and that fundamental changes are needed to achieve financial sustainability over the medium term. This will therefore become a major change programme as well as a budget process and therefore an effective communication and engagement plan is also an important component of the approach that is being developed.

However, the backdrop of a weak economic climate, higher inflation and interest rates, and increased demands for many services makes this very challenging and reflects widespread financial challenges faced by the sector. The position is being reported through to government via professional networks, for example, the Association of Directors of Adult Social Services and the Local Government Association, particularly in the context of the government's proposed reviews of local government finance, including the Fair Funding Review and the reform of Adult Social Care, having not materialised.

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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 29.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well as creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated, demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association (LGA), in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date, and have been increased by, the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade, many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure that there are appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog). There has been an increase in the number of councils who have issued a Section 114 Notice or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council-owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Financial sustainability



We considered how the authority:

- 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.

2022/23 budget and financial performance

In 2022/23, the Council was still feeling the impacts of COVID-19 yet the funding from government to meet the costs ceased. Add this to additional pressures in adult social care, children's services, budget costs, inflation, interest rates, Brexit and supply chain issues and it is clear that councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability.

The Local Government Finance Settlement was a one-year settlement for 2022/23 only and this increased the challenge faced by the Council to make credible assumptions against which to base budgets.

The Council set a net General Fund budget requirement for 2022/23 of £199.85m. The Council increased council tax by 1.99% and the adult social care precept by 1%. The Council planned for a savings target of £10.5m. The Council recommended maintaining a General Fund reserves working balance of £9m which amounted to 4.5% of the 2022/23 net budget.

As per the outturn report presented to June 2023 Strategy, Finance & City Regeneration Committee, the Council finished 2022/23 with a £3m overspend on the General Fund revenue budget. This was the first time in over a decade that the Council reported an overspend on the General Fund revenue budget. The overspends were mainly on the Families, Children & Learning and Corporately-held budgets. These budgets contain centrally held provisions and budgets and also included the cost of the unexpectedly high NJC Local Government pay award which added £6m more than originally estimated. The main pressures identified at outturn are across parts of Families, Children & Learning, Homelessness, Transport, City Environmental Management and Culture, Tourism & Sport.

The Council had to implement spending and vacancy controls in month 5 to manage spend and these measures contributed to an improved position across all areas. The movement in forecasts demonstrates the impact of these measures. In months 4 and 5 the Council was predicting a £13m overspend which was reduced to a £3m overspend at year-end. It is important to note, however, that such measures are unsustainable.

With regard to savings, the Council delivered only 57% of its £10.5m savings plan (£5.97m). 43% was unachievable largely due to exceptional inflationary pressures experienced during the year.

As reported in our 2021/22 report presented to January 2023 Audit & Standards Committee, the Council ended 2021/22 with a General Fund Working Balance reserve of £14.5m. At the end of 2022/23, this had reduced to £8.8m due to a combination of planned usage and the overspend on the 2022/23 budget. The Council has a recommended maintenance of £9m working balance reserves. The Council has a plan to re-instate the working balance over the medium-term with equal payments of £1.310m each year. The Council's financial performance in the recent past casts doubt on its ability to make these equal payments. This is discussed in greater detail in the section on the medium-term plan.

2023/24 budget and performance

The Local Government Finance Settlement 2023/24 was more generous than most authorities were expecting. The Spending Review total for local government increased by £1.6 billion in 2022/23 and in 2023/24 the Review stated that this would be the same 'cash' level as 2022/23.

Financial sustainability

Though the impact of COVID on Council finances has reduced significantly, the current predicted high inflation rates and cost of living crisis has increased pressure on council budgets. Inflation, in particular, is presenting as a considerable cost pressure in 2023/24 budgets impacting council costs. Alongside the weakened economy, councils are also battling recruitment and retention challenges and growing demand for their services.

In the 2023/24 budget, Brighton & Hove increased council tax by 2.99% and the adult social care precept by 2%. The Council set a General Fund net budget requirement of £232.39m. Due to the increase in the budget, the £9m recommended working balance of reserves now represents 3.9% of the 2023/24 budget.

The Council reported an estimated budget shortfall for 2023/24 at budget setting of £14m. The Council will have to make up this shortfall with savings or risk using reserves to balance the budget. The Council have stated the intention to generate a £14m savings package for 2023/24.

The Council's General reserves balance at the end of 2022/23 was £8.75m. The 2023/24 budget gap is therefore higher than the current level of reserves available to make up the shortfall if necessary.

As per the July 2023 update, the Council is forecasting a £14m overspend. As per the TBM report for Month 2 of 2023/24, a significant level of savings (23%) £2.947m of the £13.043m package is also showing to be at risk. The current forecast position heavily suggests that the Council will be unable to break-even in 2023/24 and therefore be unlikely to meet its repayments on the General Fund necessary to reinstate its £9m working balance. The Council is likely to need to further draw on reserves to meet its overspend and therefore place the authority in an even greater area of risk than it was at the end of 2022/23.

The medium-term budget gap

The medium-term financial outlook beyond 2023/24 remains uncertain. In an atmosphere of political and international uncertainty, economic challenges such as inflation, increased interest rates, lack of clarity on future finance settlements and the long-term impact of greater service demand, authorities are tasked with the difficult task of demonstrating a resilient and sustainable position from which to weather shocks. The pressure experienced in 2023/24 will largely continue over the medium-term. The government has recognised these pressures through the provision of additional funding but even with these resources, the Council is still in a precarious financial position.

The medium-term budget gap is being driven by growing demands for services, in particular social care and homelessness. Demand-led cost pressures are proving to be the main driver of the substantial budget gaps that the Council is set to face and has been experiencing over the last decade. The Authority has also credited the capping of council tax increases over the period and two years of freezes with creating a situation whereby local taxation has not been able to keep pace with growing costs, demands or inflation. The Council has also stated explicitly in the 2023/24 budget that it is not in a position of being able to run or maintain some services at the same level due to the changed reality presented by the financial shortfall. The General Fund Budget Planning and Resource Update presented on 13 July to the Strategy, Finance & City Regeneration Committee included an update on the Council's Medium Term Financial Strategy (MTFS). The report shows the Council to be forecasting an over £70m budget gap in the medium-term. Latest reports are showing the 2024/25 budget gap to be £25m.

	2024/25	2025/26	2026/27
March 2023 savings requirement (budget gap)	13.201	17.016	13.387
July 2023 savings requirement (budget gap)	25.306	19.775	14.348
Increase	12.105	2.759	0.961

Table 1: Medium-term savings requirement

Source: February 2023 MTFS and July 2023 Finance Update to Strategy, Finance & City Regeneration Committee

The budget gap is defined as the difference between the estimated cost of services, net of fees, charges and rents and the estimated resources available from taxation and government funding.

A budget gap can be closed by identifying cost savings and efficiencies, generating increased income or funding, developing cost avoidance strategies (e.g. preventative or demand management strategies) or by cutting or reducing services to the statutory minimum requirement.

In 2022/23, the Council employed strict spending and recruitment controls from September 2022 to manage its (at the time) forecast £13m overspend. This enabled the Council to vastly reduce its overspend, finishing the year with the £3m overspend.

Financial sustainability

In 2023/24, the Council implemented spending control measures in Month 2 – having learnt from the experience in the previous year. The Council has implemented a recruitment freeze with the intention of using this to drive consideration of service redesign; tight budget management to ensure only essential spend is allowed across budgets; demand management actions in demand-led areas including service, policy or eligibility changes; and the requirement for member sign-off or approvals.

The issue with these controls is that they are unsustainable and ultimately impact the Council's operational performance.

Savings

The Council delivered £5.97m of its £10.5m planned savings package in 2022/23. The Council has stated an intention to deliver a £14m savings package for 2023/24 as per the February 2023 budget. The savings presented in the budget are identified and presented alongside the budget documentation.

Savings	2020/21	2021/22	2022/23
Planned	10.6	10.7	10.5
Delivered	7.4	7.5	5.97
Percentage delivered	70%	70%	57%

Table 2: Savings Delivered Against Plan 2020/21 to 2022/23
Source: 2020/21, 2021/22 and 2022/23 Accounts

Beyond 2023/24, the savings packages are yet to be fully identified. The Council is forecasting a £25m budget gap for 2024/25 which translates to a £25m savings package. Given the Council's previous historical savings delivery in the last three years and the lack of solidly identified savings, there is a high risk that the Council will be unable to deliver a £25m savings package in 2024/25. The current medium-term savings requirement is treble what the Council has been able to deliver in the past few years.

Failure to deliver savings in one year can result in 'salami-slicing' whereby incremental cuts or cash limits are applied to services each year that ultimately can result in services reaching a tipping point after a number of budget rounds. We recommend that the Council include a savings proposal RAG rated tracker for each year which can show the likelihood of delivering the savings in the medium-term. This can allow for a more realistic understanding of the medium-term gap.

Reserves

The Council's only unallocated reserve is its working balance. As per the General Fund Budget Planning and Resource Update presented on 13 July 2023 to the Strategy, Finance & City Regeneration Committee, the Council's working balance stands at £6m. The Council's reserves and balances are well below the average for unitary and upper tier local authorities.

The Council had to use £3.376m of its working balance to fund its overspend in 2022/23. The Council plans to replenish this by finding £1.125m in resources over the next three years – adding further financial pressure and increasing its predicted budget gap. Failure to deliver on savings schemes, would likely add further pressure to this gap and the reserves balance. As per Table 3 overleaf, the Council has used its working balance to fund revenue budget pressures in 2021/22 and 2022/23. The Council is forecasting the need to use its working balance in 2023/24 and deplete the balance to a worryingly low figure of £5.57m.

It is important to recognise that the current forecast overspend for 2023/24 is £14m. The working balance, the only unallocated reserve available to fund revenue budget pressures, is currently only at £8.75m. This means that, if the overspend were to materialise as forecast and the Council were forced to fully fund the balance from reserves (as was the case in 2022/23), the Council would fully deplete its reserves.

Financial sustainability

Unearmarked Reserves		Reserves (£'m)
Reserves as at 31 March 2020		8.99
Reserves contribution in 2020/21	+ 10.1	
Reserves as at 31 March 2021		19.09
Reserves use in 21/22	- 4.58	
Reserves as at 31 March 2022		14.51
Reserves use in 22/23	- 5.8	
Reserves as at 31 March 2023		8.75
Planned reserves use in 23/24	- 3.18	
Reserves as at 31 March 2024		5.57
Planned reserves contribution in 24/25	+1.13	
Reserves as at 31 March 2025		6.70
Planned reserves use in 25/26	+1.13	
Reserves as at 31 March 2026		7.82
Planned reserves use in 26/27	+1.13	
Reserves as at 31 March 2026		8.95

Table 3: General Fund unearmarked reserves usage
Source: 2021/22 and 2022/23 Accounts and February 2023 MTFS

The Council recommended maintaining a £9m working balance. The Council is currently below the widely accepted 5% of net budget threshold but have a plan to reinstate the balance with equal payments of £1.31m over the medium term (2024/25 to 2026/27). We do not have assurance on the Council's ability to meet the replenishment requirements given the overspends in 2021/22 and 2022/23 and projected position in 2023/24. The current and projected financial position is not indicative of a position that will enable replenishment of the working balance in the immediate future, rather it is indicative of a position that will result in further depletion of the working balance.

The medium-term plan

The Council is at a crunch point and in need of a step change if it is to secure financial sustainability. It is worth noting that the plan to replenish reserves is wholly dependent on the Council achieving an already ambitious savings plan. The Council's medium-term plan also assumes 100% delivery of its savings plan. Any amount short of 100% would likely result in greater depletion of reserves. If the Council failed to meet its savings target, it would have limited flexibility to draw further on reserves. With the Council's total reserves balance (earmarked and general fund) at £37m, the Council would only be able to survive 2024/25 if it had to meet its budget gap wholly from reserves. The Council is therefore extremely reliant on meeting its savings target. If the Council were required to meet its savings target from its unearmarked reserves balance, it would fully deplete its working balance reserves by 2023/24.

Given that the Council did not meet 100% delivery in 2021/22 or 2022/23, it is highly likely it will not deliver 100% in 2023/24 or the medium-term. Indeed, its latest report for 2023/24 is already forecasting a likely delivery of 77% of its target. This means that the already risky position presented in the February 2023 medium term plan is actually worse than currently presented as the need to use reserves to balance the budget is even more likely to materialise.

The budget process for 2024/25 must be vastly different to previous plans in order to ensure medium-term viability. Due to the worsening of the financial position since our report in January 2023, we re-iterate our significant weakness surrounding the Council's arrangements to secure financial sustainability.

We note that there is evidence that officers are alert to the financially perilous situation and are putting effort toward communicating this to all levels of the organisation. Reports to the Executive Leadership Team in July and August 2023 stressed the importance of a multi-stranded approach to the budget process. The report highlighted the urgency required to manage the in-year position.

Financial sustainability

Officers have stressed the importance of securing efficiencies wherever possible, including procurement and commissioning and business-as-usual service delivery. The Council is also exploring fundraising opportunities and utilising budget categorisation to inform budget decisions. Senior leadership are urging directorates to bring forward savings plans in order to tackle the 2023/24 overspend and encouraging as much prudent decision-making as possible.

The report to ELT also highlighted changes to the Council's position in terms of options. For example, the Modernization Fund previously offered some flexibility with capital receipts but is set to end in 2025. Even without the flexibility elapsing, the Council no longer has significant enough demand on capital receipts to support the necessary investment.

As stated in the General Fund Budget Planning and Resource Update presented on 13 July 2023 to the Strategy, Finance & City Regeneration Committee, the Council must begin to consider alternative means of generating income or reducing costs if it is to be financially sustainable in the medium-term.

There are still many areas where the Council does not charge but could legally do so. The Council also talked of designing a fees and charges strategy that would balance and accommodate the equality impact on those with low incomes. In the interest of the Council's financial sustainability, this must be seriously considered alongside other income generation/cost reduction strategies as a matter of priority. The Council can also explore fundraising opportunities.

As recommended in our 2021/22 Auditor's Annual Report, the Council has undertaken a budget categorization exercise to properly understand the balance between statutory and discretionary spend at the authority. As per the July 2023 report, the Council identified 91.3% of its spend as statutory. Given this significant proportion, the Council must consider service transformation opportunities within statutory areas to secure the necessary efficiencies to close the medium-term gap.

Capital

The 2022/23 budget included a substantial capital investment programme of £221 million. At 2022/23 outturn, the total capital spend was £135m (61% of the original budget). The vast majority of the change from the original budget to the revised budget (which was £138m) can be attributed to reprofiling and slippage.

The Council has attributed the unusually high reprofiling requirement to a wide range of delays including working restrictions, procurement delays, supply chain issues, recruitment and skills challenges and impacts on consultation processes.

The 2023/24 capital budget states the intention of delivering a £211m programme. The Month 2 budget monitoring report shows there is already £3m of reprofiling to 2023/24 schemes and a forecast £2.47m underspend.

In the prior year we raised an improvement recommendation regarding setting realistic capital budgets. We re-iterate the recommendation as a significant portion of capital budgets continue to be reprofiled or slipped early in the year, suggesting that some of the budget reprofiling could have reasonably been foreseen at budget setting. Capital outturn continues to significantly underperform against original budgets suggesting that consideration is not being paid toward actual expenditure at prior year end when setting future budgets.

The Council has commented on our recommendation in its update to the Strategy, Finance and City Regeneration Committee update in July 2023. Officers have highlighted the opportunity to address concerns and fully review the programme and its affordability in the context of revenue budget pressures and its alignment with council priorities. A full detailed review of existing schemes and future requirements is set to be undertaken to inform the Capital Strategy for 2024/25 and beyond.

The Council also has arrangements in place to mitigate the risk in capital scheme delays. The Council will normally benefit from investment income on higher cash balances when there are delays to schemes funded by capital grants to help mitigate inflationary risks. Prior to the pandemic, the Council was experiencing 20% to 25% slippage or reprofiling on capital projects. Since the pandemic, this figure soared to 50% in some cases. While the realism of the capital budget does not directly affect revenue budgets, it affects the accuracy of information portrayed to the public in terms of when a scheme is set to be complete and the scale of the Council's capital programme.

Temporary accommodation

In January 2023, the charity 'Shelter' published data showing Brighton and Hove as the third worst place outside London for homelessness, where one in every 78 people are homeless.

Financial sustainability

There are an estimated 3,538 people homeless and living in temporary accommodation organised by the Council. Brighton has fewer owner occupiers and more people renting from private landlords than the average for the South East and England as a whole.

In our prior year report, we noted that the Temporary Accommodation budget represented one of the Council's demand-led budgets – budgets that carry higher financial risk due to their volatility and therefore greater potential to have a material impact on the organisation's overall financial position. Demand is often difficult to predict and relatively small changes can have significant implications for the Council's budget and strategy.

The Council's temporary accommodation budget overspent by 25.8% in 2022/23 reporting £3.6m against a £2.8m budget.

Demand and cost pressures are largely to blame for the overspend. The cost of private sector leased temporary accommodation overspent – attributable to costs of repairs and a high number of private sector leased properties coming to an end. Landlords are seeking higher rents to match the current market conditions.

The Council is also still experiencing additional costs associated with the provision of emergency hotel accommodation acquired as part of the 'Everyone In' initiative in the pandemic. This was due to two hotels being decanted later than expected. This cost is not expected to continue.

In 2023/24, the Council is still addressing the higher number of emergency and temporary accommodation service users emanating from the pandemic. As per the TBM Month 2, the Council is forecasting the temporary accommodation budget to overspend by £2.5m which equates to 25.3%. This is driven by an increase in demand since January 2023 and an increase in accommodation rental costs. £1.023m of the savings target for homelessness will not be met. Since April 2023, the Council has housed an average of 153 households a night which is almost three times higher than budgeted. The increase can be attributed to both private property owners selling properties and evicting tenants and an increase in those fleeing domestic abuse. The service is performing analysis to understand the causes and whether this is an indication of a wider trend due to the cost of living crisis.

The Housing service is continuing to seek cost reductions through the Housing Transformation Programme. Brighton has a particular challenge due to the City's high private sector rents and limited supply of affordable housing.

The programme continues to improve the prevention of homelessness, to secure the best prices for all temporary and emergency accommodation, to improve void turnaround times in emergency accommodation and improve income collection and reduce costs in line with the budget strategy. In 2022/23, the service saw success as the number of blocked booked emergency accommodation properties reduced by 120 through a combination of better prevention and improved move-on. The forecasts of demand for 2023/24 are showing expected increases so the ability of the service to control costs and deliver savings will be strained. In February, 50% of the households that were threatened with homelessness were able to secure accommodation without requiring temporary accommodation because they came to the Council early. Since April 2022, 438 households have had their homelessness resolved by being assisted to secure accommodation for 6 months or more. There is also a continuing trend of a reduction of the number of households in emergency accommodation. At the beginning of June, this was 493 households compared to 615 last year.

Adult Social Care

Councils are facing key challenges surrounding the lack of transparency in future funding, increasing demand (especially in mental health and young people with complex learning disabilities transitioning from Children's services into Adult's), increasing prices charged by providers (due to wider inflationary pressures and difficulties in recruiting care staff) and lack of capacity to transform its services to meet the increasing challenges ahead.

As a result, adult social care at the Council is one of the highest risk areas of performance. That risk has only increased further from 2021-22, especially in the first months of 2023-24.

2022-23 plans relied significantly on delivery of savings in Health and Adult Social Care (HASC) and the Families, Children and Learning Directorates. Approximately 48% of all savings for 2022-23 were expected to be from those directorates. This is a marginally lower percentage than 2021-22 (62%) but it is still broadly reflective of the outturn of those two directorates. The 2022-23 provisional outturn showed that £0.957 million of the £2.353 million in the savings plan was not achieved in HASC. In percentage terms, this is 41%. This follows the £1.409 million of the £4.515 million in the savings plans which were not achieved in 2021-22. That equated to 31% under-achievement so the delivery of savings in HASC deteriorated in 2022-23 despite a smaller overall target (£2.353 million versus £4.515 million in 2021-22).

Financial sustainability

The overall position for HASC was an underspend of £2.138 million against budget as at M12 of 2022-23. It is important to note that this was after applying additional service pressure funding of £3.211 million which was used to fund budget pressures resulting from the increased complexity and costs of care.

The result is the future of Adult Social Care into 2023-24 and beyond is challenging. The Council is having to grapple with continuing pressures on NHS budgets resulting in reduced ICB funding contributions on some care packages as well as increased costs from discharging pressures from acute wards into residential and nursing care homes.

The continuing trend of more placements/packages combined with higher unit costs per placement/package that the Council is facing is unlikely to reduce in the short to medium term.

This is due to wider demographic trends in the Council area (an ageing population living longer with more complex health and social care needs), an increasing proportion of the Council's younger adults presenting with complex mental health conditions and/or learning disability needs (many of whom are transitioning from Children's services) and provider markets facing their own financial pressures due to wider inflationary pressures and workforce shortages resulting in material fee uplifts for the Council.

Medium to long term financial planning in Adult Social Care has also been constrained by wider sectoral uncertainty. This includes the delays to some Social Care Reforms (in particular, Charging Reform), the new CQC assurance framework for Adult Social Care and the rollout of Integrated Care Systems. The financial sustainability of demand led services, which includes HASC, continues to be identified by the Council as a key priority area of focus.

For 2023-24, the Council has provided additional service funding of £9.639 million to HASC to support these identified cost pressures. This has helped to mitigate some of the financial risks, as additional service funding has done in previous years. But the risks have not been removed. This is despite the 2% increase in the precept to fund additional pressures in Adult Social Care.

Whilst positive, the increase in the adult social care precept and additional grant funding has not been enough to balance the budget in HASC. It is therefore supplemented by a substantial savings programme. The savings plan in the original HASC budget for 2023-24 is £4.316 million. However, that has already been effectively supplemented, in the first 2 months of 2023-24, by an additional £6.246 million of "Further Financial Recovery Measures" that need to be achieved.

Based on a budget of £106.516 million, which includes the additional service funding of £9.639 million, the forecast outturn for M2 shows an overspend of £2.697 million. This current forecast overspend is being primarily driven by the following:

- Increases in the number of placements/packages across all the main service areas in HASC which, whilst they may be below the budgeted number of placements/packages, are higher than in 2022-23.
- Higher average unit costs for placements/packages than budgeted for across all the main service areas in HASC.
- Section 117 funding not yet being agreed with Health.

However, that forecast outturn includes the full achievement of £6.246 million of the Further Financial Recovery Measures, which were not included in the original budget. Without this inclusion, the forecast outturn for M2 would show an overspend of £8.943 million.

The Further Financial Recovery Measures include receiving further health funding including CHC and joint funding on some placements as well as a number of targeted reviews. They are therefore akin to additional savings plans over and above the £4.316 million of savings in the budget. Accordingly, HASC has an effective current savings target of £10.562 million for 2023-24. Given the under-achievement of savings plans in HASC in both 2021-22 (31%) and 2022-23 (41%) against significantly smaller targets, this poses an increasing and highly significant risk on the Council's overall financial position.

The Council plans to manage these significant risks through full delivery of the Further Financial Recovery Measures, improved delivery of current savings plans (even though a small proportion are already rated "Red" as at June 2023) and management of non-statutory budget areas. Further, the Council has actions focused on managing demand for, and costs on, care packages throughout 2023-24 and making the most efficient use of available funds.

Conclusion

We consider that a significant weakness in arrangements for financial sustainability remains for 2022/23. The Council continues to rely on reserves to balance budgets and its level of working balances is relatively low. The Council's ambitious medium-term savings plans and likelihood of delivery are such that further depletion of reserves in the medium-term is a high risk. The 2024/25 budget gap and medium-term gap is concerning and significant.

Improvement recommendations



Financial sustainability

Recommendation 2

The Council should include in the MTFS a savings proposal RAG-rated tracker which shows the stage of development for all savings proposals. For example, if the Council has identified the need to deliver a £14m savings package but at budget setting only £8m of savings is fully identified, £3m is potentially identified but dependent on several volatile variables and £3m is not identified at this point in time, £8m would be 'Green', £3m would be 'Amber' and £3m would be 'Red'. This would provide a more realistic understanding of the medium-term gap and how likely an overspend is to materialise in any given year. It can also demonstrate the recurrent nature of a failure to deliver a saving by showing that the failure to deliver a saving in one-year has a knock-on impact on the other years in the MTFS.

Why/impact

At present, users of the budget documents only know that a savings package is required to be delivered but are not cognisant of the likelihood of delivery of that savings package. The only indicators available to assess likelihood of delivery is past savings performance. The Council would benefit from demonstrating how likely savings in the medium-term plan are to be delivered by providing this information in an accessible format.

Management Comments

The council's budget savings proposals have always identified delivery risks and impacts and these are published with the proposals. Some savings are inevitably harder to realise than others, but this does not mean that they should not be considered. The severe funding shortfalls caused by very large reductions in government grant funding from 2010 onward alongside restrictions on council tax increases, and the very substantial increase in demands for adult social care, children's social care, SEN, Home-to-School Transport, and homelessness over the same period have driven over £200m of savings since 2010. The corollary of this is that there are few, if any, low risk savings options available to the council. There is a potential therefore for a significant proportion of proposals to be highlighted as Red or Amber (i.e. high or medium risk) but the choices are becoming more limited and they will still need to be considered. Identifying additional or fall-back savings to provide cover for higher risk savings is not workable in practice because a) they are an unrealistic stretch target on top of already very challenging targets, and b) by the time it is realised or confirmed that they will need to be implemented, they are not likely to provide a significant in-year saving. However, these can be programmed into the Medium Term Financial Strategy which will aim for a level of flexibility in its profiling, for example, including some options that could be brought forward to an earlier financial year if necessary. RAG ratings will therefore be provided but are only likely to confirm the severe challenges on the council finances.

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

Governance



We considered how the authority:

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

Risk management

The Council has appropriate arrangements in place with regard to identifying strategic risks, understanding them, recording them within the risk management system and assessing/scoring them. These arrangements were in place during 2022/23.

At the January 2023 Audit Committee meeting, the Council approved its new Risk Management Framework. The framework provides an updated guide to support the Council's robust system of risk management which facilitates the effective identification, assessment and response to risks. Risk management is part of the Performance Management Framework and constitutes one of the eight elements of 'continuous improvement.'

Risks are identified and managed at every level of the organisation – strategic (corporate), directorate, service/team or programme/project level. The Council's Corporate Risk Assurance Framework uses the 'three lines of defence model' to assess the effectiveness of the management of organisational risks. Risks are scored using a standardized 5x5 matrix based on the potential impact if the risk materialized and the likelihood of occurrence.

In April 2022, the Audit and Standards Committee agreed to focus on specific strategic risks at each of its meetings. At the April meeting, the committee focused on five key risks. Our review of the minutes demonstrates meaningful engagement and scrutiny of risks and their potential impact. The Council's strategic risks are reviewed quarterly by the Executive Leadership Team (ELT) and comments are taken on board from quarterly risk reviews carried out at Directorate Management Team (DMT) level.

An internal audit of risk management was conducted in summer 2022. Internal audit issued a 'substantial assurance' opinion over the adequacy and effectiveness of risk management arrangements. Internal audit found that the risk management process was robust and managers were well sighted on strategic and directorate risks. New emerging risks are identified and there is an appropriate escalation process in place. Members received detailed reports at regular intervals.

Internal audit identified some opportunities to improve the process which included: formal review and approval of the Risk Management Framework with the ELT annually, developing a statement on the Council's risk appetite and ensuring all mitigating actions on directorate risk registers have target implementation dates. All formal actions were agreed by management to action in these areas. Internal audit regularly follow up on progress made.

A CIPFA review conducted in July 2021 concluded that the Council's risk management arrangements were appropriate though suggestions for improvement were included in the review. One of the recommendations suggested taking strategic risk register (SRR) risks to the specific scrutiny committee to which it relates rather than reporting it to the Audit and Standards Committee. This has been implemented and SRRs are now reported to scrutiny committees. This will help to address some of the issues with over-politicisation of the Audit and Standards Committee, which was identified by CIPFA.

With regards to the CIPFA 2021 review, the Council last updated the Governance Assurance Meeting on progress against the CIPFA recommendations in November 2022. The expectation was that it was up to officers to take forward the actions they had been assigned.

Governance

There has been little by way of follow up on the implementation of the recommendations since then. The Council has documented capacity concerns in Strategic Risk Registers and have attributed the lack of monitoring on the capacity issues. The Council has agreed to include an agenda item on this to the next Government Assurance Meeting. We have raised an improvement recommendation on this to ensure it is actioned. Lack of monitoring surrounding the implementation of recommendations is a weakness.

Internal audit

The Council has an adequate and effective internal audit function in place to monitor and assess the effective operation of internal controls.

The internal audit service is fulfilled by the Orbis Partnership which is a public sector partnership between East Sussex County Council, Surrey County Council and Brighton & Hove City Council.

The internal audit plan for 2022/23 was presented to the April 2022 audit committee.

Internal audit awarded BHCC a 'reasonable assurance' audit opinion for 2022/23 meaning that the Council has an adequate and effective framework for governance, risk management and internal control in place. No 'Minimal Assurance' opinions were issued in the year.

The Audit and Standards Committee assessed the 2022/23 internal audit report to consider whether there were any significant issues that should be included in the annual governance statement (AGS) for the year.

The Committee agreed there were no issues to be included in the AGS.

Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. Orbis internal audit provision was reviewed in 2022/23 and assessed as achieving the highest level of conformance available against professional standards, with no areas of non-compliance identified.

Within the Orbis internal audit service, the Counter Fraud partnership team provides resource and experience to support BHCC with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

During 2022/23, the Council approved its updated Anti-Fraud and Corruption Strategy and Framework for the period 2022-24. The strategy provided key amendments to the previous framework which had been in place since 2019. The update strengthens the Council's compliance with best practice and provides top-down support for the approach taken to tackling fraud and corruption.

Leadership & decision-making

The Council held the last meeting of its Policy & Resources Committee on 16 March 2023. This has now been replaced with the Strategy, Finance & City Regeneration Committee which will fulfil the functions of the Policy & Resources Committee.

Brighton & Hove Council hold full elections every four years. In May 2023, local elections resulted in a change of administration with the Labour group winning an overall majority with 38 seats (70%). Since 2003, there has been 'no overall control' at the council. Prior to the May 2023 election, the Council was run a by Green minority administration.

The Council's Constitution was updated in May 2023. The changes mainly related to the number of committees following the election of a new administration. For every review of the Constitution, there is a cover report and tracked changes version of the amendments made submitted to Full Council. These are available on the Council website.

Audit and Standards Committee

The purpose of the Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the Authority. The Committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. We recognise that since May the make-up of the Committee has changed. Our report considers the effectiveness of the arrangements in place over the past year and our findings should be considered in that context.

The Committee is comprised of eleven members. CIPFA recommended in its *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* authorities should strive to have no more than eight members. As BHCC has eight councillors and three co-opted members, it is compliant with the CIPFA guidelines.

Governance

CIPFA recognises that committees of eight or less should allow sufficient breadth of experience but small enough to allow the training and development of a dedicated group.

CIPFA guidance has a clear message to maintain the independence of audit committee members: 'if the council has a policy and resources committee, members of this committee should also not sit on the audit committee. In addition, chairs of other policy committees should not be members. This will allow members of the audit committee greater independence in their role and assist in a non political approach.'

Through our review of the Strategy, Finance and City Regeneration Committee (SFCR) (which replaced and functions as the Policy & Resources Committee), we found that one member is both a member of the Audit and Standards Committee and the SFCR.

We recommend that, to comply with CIPFA's guidance, the Council should take action to ensure that there is no cross-over between members between these two committees.

Through our review of the chairs of the Council's other policy committees, we have not identified any instances of committee chairs also sitting as a member of the Audit and Standards Committee.

CIPFA and the Redmond Review (2020) recommend that an audit committee should include two co-opted independent members. As per the Council's Constitution, the Audit & Standards Committee includes at least two independent members. They act in an advisory capacity with no voting powers. At present, the Audit & Standards Committee has three independent members.

To discharge its responsibilities effectively, CIPFA recommends that audit committees should meet regularly – 'at least four times a year.' In 2022/23, BHCC's Audit & Standards committee met four times therefore fulfilling the minimum recommendation.

CIPFA also recommends that audit committees report annually on how the committee has complied with the position statement, discharged its responsibilities and assessed its performance. The Council's Audit & Standards Committee does not currently perform an annual self-assessment. We have raised an improvement recommendation to address this.

Budget setting process

Our review indicates that Brighton & Hove City Council has established appropriate budget setting arrangements. The Council uses the previous year's net budget requirement as a basis for the following year's budget, adjusting it to account for changes in pay, inflation, demographic pressures, and other factors.

The Council determines its savings requirement by identifying the 'budget gap,' which is the difference between estimated costs and the available resources. The gap can be closed by identifying cost savings and efficiencies, generating increased income or funding, cost avoidance strategies, or reducing services to the statutory minimum requirement.

The Full Council is responsible for approving the annual budget and monitoring compliance with the Council's accountability and control framework.

The Strategy, Finance & City Regeneration Committee proposes the budget to the Full Council, and the Chief Finance Officer advises policy committees and the Full Council when decisions are not in line with the budget framework. The Council also has procedures in place for agreeing variations to approved budgets, plans, and strategies.

In August 2023, the Chief Finance Officer communicated to the Executive Leadership Team the extraordinary budget setting arrangements needed to address the 2024/25 budget gap. The Section 151 officer has urged officers to consider a number of 'lines of enquiry' to improve the 2023/24 position and future trends. The CFO emphasizes that the budget process for 2024/25 needs to be fundamentally different and put the Council in a place where it can be financially sustainable over the medium-term.

Executive Directors will work with Finance Business partners and workstream leads to bring forward proposals for savings and cost avoidance. The Council's Finance and CPML teams will develop templates to capture proposals for consideration. The report notes a strong understanding among senior finance officers of the demands of the medium-term budget gap and how the budget setting process can support the challenge of addressing the Council's financial position. Budget monitoring and control is maintained by the Targeted Budget Management Framework and Chief Officers are responsible for controlling income and expenditure within their areas and reporting on variances against their allocated budgets. The TBM framework functioned effectively during 2022/23 with TBM reports being taken to five Policy and Resources Committee meetings and to two Strategy, Finance & City Regeneration Committee meetings in 2023/24 to date.

Governance

Conclusion

Overall, there are effective governance arrangements in place at the Authority. We have not identified any significant weaknesses. The Council has appropriate arrangements in place for risk management. There was an effective internal audit service in place during 2022/23. No 'Minimal Assurance' audit opinions were issued during the year – which reflects positively on the Council's overall control environment. The implementation of the recommendations from the CIPFA 2021 review should help to further strengthen its governance arrangements. We have raised an improvement recommendation to improve the arrangements compared with best practice in respect of the Audit & Standards Committee. The Council had appropriate budget setting arrangements in place during 22/23 and is adapting its processes in light of the significant challenges in the 2023/24 forecast overspend and 2024/25 and medium term budget gaps.

Improvement recommendations



Governance

Recommendation 3

The Council should ensure that actions agreed by the CIPFA 2021 Review of the Audit & Standards Committee report are followed up with the assigned officers at Governance Assurance Meetings (GAM). Follow-up on actions agreed should be documented.

Why/impact

The Council last updated the Governance Assurance Meeting on progress against recommendations in November 2022. The expectation was that it was up to officers to take forward the actions they had been assigned. There has been little by way of follow up on the implementation of the recommendations since then. The Council have documented capacity concerns in their Strategic Risk Registers and have attributed the lack of monitoring on the capacity issues. The Council have agreed to include an agenda item on this to the next Government Assurance Meeting. We have raised an improvement recommendation on this to ensure it is actioned. Lack of monitoring surrounding implementation of recommendations renders reports such as this useful CIPFA report redundant if officers are not held accountable for actions.

Management Comments

The recommendations of the review were under consideration in the lead up to the recent election and now need to be reviewed in the context of the change in balance of the council's membership and the authority moving into a term of majority Administration. However, as most of the recommendations relate to good practice, every effort will be made to implement identified actions.

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

Improvement recommendations



Governance

Recommendation 4

In respect of the Audit & Standards Committee, the Council should:

- a. ensure no cross-over between members on the Strategy, Finance & City Regeneration Committee and the Audit & Standards Committee.
- b. consider implementing an annual self-assessment of the Committee's effectiveness.

Why/impact

- a. Through our review of the Strategy, Finance and City Regeneration Committee (which replaced and functions as the Policy & Resources Committee), we found that one member is both a member of the audit committee and the SFCR. CIPFA guidance has clear messaging with regards to maintaining the independence of audit committee members: 'if the council has a policy and resources committee, members of this committee should also not sit on the audit committee. In addition, chairs of other policy committees should not be members. This will allow members of the audit committee greater independence in their role and assist in a nonpolitical approach.'
- b. CIPFA recommends in *Audit Committees: Practical Guidance for Local Authorities and Police* (2022) that audit committees report annually on how the committee has complied with the position statement, discharged its responsibilities and include an assessment of its performance. An annual self-assessment is not currently performed at BHCC.

Management Comments

There is no automatic legal barrier to members of the Strategy, Finance & City Regeneration Committee sitting on Audit & Standards Committee. Membership of a policy committee is not a declarable interest. Unlike a scrutiny committee within a Cabinet system, members of a policy committee in a committee system are not precluded from being members of an audit committee or discussing decisions made by their committee. Audit & Standards is also not a quasi-judicial, decision-making committee like, for example, planning or licensing committees. Its primary decision-making function is to approve the annual statement of accounts and the annual governance statement, meaning there is limited scope for or risk of bias or predetermination. In conclusion, no breach of the law or breach of the code of conduct for members has occurred, however, the question of whether this is consistent with CIPFA good practice guidance on audit committees has been raised and as the council aims to adopt good practice the external auditor's recommendation will be raised with the Administration to advise them of this position and to request a review of the committee's membership.

An annual assessment of effectiveness would be an additional burden on the authority at a time when its financial sustainability is clearly challenged and cuts in costs and staffing are anticipated across all functions of the council. While this is recommended practice, it is not essential or critical and will therefore need to be carefully considered against available resources. The officer Governance Assurance Meeting (GAM) will review this matter and make appropriate recommendations to the committee.

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

Improving economy, efficiency and effectiveness



We considered how the authority:

- 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.

Performance

The overarching document which sets out the Council's outcomes which it aims to deliver is the Corporate Plan 'Our Plan 2020 to 2023.' We note that for 2023/24 onwards, a new Corporate Plan for the period 2023 to 2027 has been developed.

The Council measures progress towards delivery of Corporate Plan outcomes by monitoring the suite of Corporate KPIs that support both the Directorate Plans and ultimately the overall Corporate Plan.

The Council was able to point to some positive achievements but overall demonstrated a mixed performance during the year. The Corporate KPI set for 2022/23 is made up of 62 indicators, 3 of which will be reported as mid-year annuals. Results from the 59 available KPIs show 65% of the targeted indicators meeting or being within the agreed tolerance level at the end of March 2023.

The Council noted that 57% of the KPIs were improving, 37% declining and 6% showed no change in the direction of travel. The KPIs where the Council has seen improvement and strong performance relate to:

- Education, Health & Care Plans issued within 20 weeks including exceptions;
- Municipal waste landfilled;
- People aged 18+ who smoke;
- Workforce demographic representation/profile indicators;
- Planning indicators.

The KPIs where performance improvement is required relate to:

- Bus services running on time;
- Working days/shifts lost due to sickness absence (excluding schools);
- Routine housing repairs completed on time;
- Missed refuse collections;
- Rate of deaths from drug use.

The Council is aware of the areas for improvement and there is evidence of effort being directed toward understanding the reasons for underperformance in certain areas and the reasons for declines in performance.

The Council's scrutiny committees hold officers to account for performance and officers take ownership of their responsibilities. The Council has developed its management information to ensure reports are clear and comprehensible and portray as much of an evidence-based picture as is possible and digestible for the users of the reports. There are arrangements in place to monitor performance and identify areas for improvement and use data to action improvement plans.

Due to the scale of the financial issues, we have raised an improvement recommendation surrounding members seeking clarity and assurance on the link between performance and the financial challenges.

Members should ensure prompt action is taken to properly understand the reasons for weak or declining performance across the affected services and the extent to which this is being influenced by the financial challenge.

Improving economy, efficiency and effectiveness

Members should also satisfy themselves that prompt and effective action is being taken to get performance back to standard.

Benchmarking

We were pleased to note the Council's strong use of benchmarking. The Council has arrangements in place to learn from other local government organisations to improve its performance. In particular, arrangements are in place to benchmark performance against similar bodies and there is evidence that this data is used to identify areas for improvement.

The Council operates a Performance Management Framework which aims to ensure accountability for delivery is clear. 'Continuous improvement' is a requirement of the performance management approach at Brighton & Hove within available resources. Performance targets measure the success of targets. The targets are RAG-rated (Red, Amber, Green) to measure progress.

The Council use the latest available benchmarking data (for example statistical neighbour data, national data or any comparable data) to set targets. Statutory or contractual targets are also used to set performance levels. The Council also explains why a particular set of benchmarking has been selected. If performance is better than benchmarking data, the Council may opt to use current performance as a target. Where no benchmarking or statutory/contractual data is available, a sound rationale is explained for the target figure.

If and when new benchmarking data becomes available after targets have been approved by the Strategy, Finance and City Regeneration Committee, the Corporate Performance Team (CPT) use the revised target value to report to ELT and Committee.

The CPT seek approval from the SFCR committee if the rationale for a target gets changed during the year.

For example, in the Corporate KPI target setting for 2023/24, the Council has set a target for greenhouse gas emissions as 923 tonnes to secure a 'Green' value measure. The Council determined this benchmark using information from The Tyndall Centre for Climate Change Research. The Tyndall Centre calculated that BHCC needs to cut its carbon emissions by 12.7% per year starting in 2020 to contribute its fair share of the Paris accord and keep global temperatures within 1.5C of pre-industrial temperatures. Carbon emissions remaining after 2030 would need to be offset in order for the city to be considered carbon neutral. The 12.7% target has been converted to a series of tonnage targets which are set out in the KPI description. In 2021/22 the Council achieved its 2021/22 target by securing 1201 tonnes. The figure for 2022/23 is not yet available. The Council also benchmark this against its nearest neighbours. Data for 2017 shows that the nearest neighbour average emissions of 1,807 kT CO₂e are higher than Brighton's result. This is calculated by taking average per capita emissions and multiplying by BHCC's population.

Another example of the Council using benchmarking to inform performance targets is demonstrated in the indicator: percentage of bus services running on time. The Council has set the target of 95% which is a nationally set target by the Traffic Commissioner. The Council benchmarked its performance for 2021/22 against its comparator group which averaged at 89.6%. BHCC is ranked 6th out of 8 comparators who submitted data with a result of 85% for this period.

The All England average for this indicator is 87.6% and all England outside of London is 87.9%. The Council used the Department of Transport's data in this target setting. The Council has been 'RED' in this indicator for 2019/20, 2021/22 and 2022/23. The Council reported an 'AMBER' rating in 2020/21. For 2022/23, the Council reported 81.62% which falls below the 95% Green value target.

These examples are two of many performance indicators that form the basis of the Council's measurement of its achievement against the Council Plan. The indicators in the Plan are based on benchmarking data where available and the Council clearly puts effort toward ensuring the targets are evidence-based and well-informed.

Procurement

Procurement is the vehicle local authorities use to help ensure value for money in the way that public money is spent.

Procurement at Brighton & Hove City Council is provided by the Orbis Partnership.

In our 2021/22 Annual Audit Report, we noted that weaknesses had been identified in the procurement function as outlined in two internal audit reports that had concluded 'Minimal Assurance' in procurement practices, specifically data capture on the Contracts Register and compliance with Contract Standing Orders (CSOs). 'Minimal Assurance' effectively means controls are generally weak or non-existent, therefore increasing the risk of fraud or error.

In light of the two internal audit reports, the procurement function has undergone a significant improvement plan.

Improving economy, efficiency and effectiveness

We note that Internal audit has commented on the progress made to implement audit recommendations. In March 2023, internal audit published a follow-up report on the Corporate Procurement Function, concluding, 'Reasonable Assurance' meaning most controls are in place and operating as expected to manage key risks to the achievement of system or service objectives. Internal audit noted progress on developing reports for monitoring compliance with Contract Standing Orders; targeted spend analysis had been carried out and follow up action taken where non-compliance was identified; and analysis of completed tender reports that had been missing from the Contracts Register was also undertaken to ensure compliance.

The intranet guidance for procurement has been improved and there is now content to increase awareness of the Sourcing Solutions service. Good progress has also been made in providing training to officers.

Contract management

Although the Council has improved its procurement function, there are still some areas of weakness. The Council has in place a Contract Management Framework, developed by Orbis Procurement, which provides an approach for the management of contracts, to ensure delivery of value and quality of goods and services purchased from suppliers. Although Procurement is responsible for maintaining the Framework, it is the responsibility of individual contract managers to familiarise themselves with this and apply it to their contracts as appropriate.

In August 2023, internal audit reported 'Partial Assurance' that contract managers were managing their contracts in accordance with the Contract Management Framework and maximizing the value obtained from the contracts. Internal audit found that contract managers had a lack of familiarity with the Contract Management Framework and it was only being partially used. Less than half of the surveyed contract managers were aware of the Contract Management Framework. None of the sample contracts reviewed had a contract management plan in place. Performance monitoring was not always adequately evidenced and less than half of the surveyed contract managers were able to supply a performance report. Risk was also not routinely considered for the majority of the surveyed contracts. Only one had a contract-specific risk register in place, although limited (high-level) risks were included in departmental risk registers for others.

Given the concerns regarding the Council's financial position, tight control on expenditure is critical. A lack of control over contract management practices could result in increased costs as contract managers responsible for variations to prices and costs do not have appropriate expertise or support to ensure that they are securing best value for money. Internal audit's findings were based on its review of contracts totalling over £27 million.

We have raised an improvement recommendation to emphasise the importance of the Council implementing internal audit's recommendations in light of the financial position.

Partnerships

Partnership working is central to the delivery of many local authority services. The Council maintains strong partnership arrangements with key stakeholders and has continued to do so during 2022/23. The Council works closely with its statutory partners, commissioned providers, private businesses, community and the voluntary sector to perform its responsibilities.

Integrated Care Systems (ICS) were created as part of the Health and Care Act 2022 and became statutory from July 2022. Upper tier and unitary Local Authorities are required to be members of ICSs as key partners. In the Sussex ICS, East Sussex County Council, West Sussex County Council and Brighton and Hove City Council are each represented on both the NHS Sussex Integrated Care Board (ICB) and the Sussex Health and Care Assembly.

To provide professional knowledge and expertise, local authority representation on the NHS Sussex ICB from the three Councils is made up of one of the Directors of Adult Social Services, one Director of Children's Services and one Director of Public Health. Each 'place' in Sussex has a health and care partnership that enables joined-up working across organisations at a place-level.

In July 2023, the ICS published its five-year plan 'Our Plan for our Population'. The document sets out the immediate and long-term improvements it seeks to make to bring the greatest benefits to local people. Throughout July the 'Let's Talk' team visited local communities, networks and groups around Sussex to share the plan.

Improving economy, efficiency and effectiveness

The five key improvement actions identified for Brighton specifically relate to trialling and developing a new integrated care model for people with multiple compounded needs and their carers; further development of prevention programmes with an increased focus on reducing care inequalities; improving support and interventions for neurodiverse young people; expanding cancer diagnostic and treatment service capacity and a quicker more effective discharge process. The LCS will be accountable to a Delivery Board that has an assigned workstream for system partners to work on together. Each of the Boards and workstreams is overseen by a System Oversight Board.

Community Safety Partnerships (CSPs) are an important feature of the network of partnerships that help to tackle crime and reduce reoffending. Many agencies work together through the Brighton & Hove Safe in the City Partnership to tackle crime and anti-social behaviour. The statutory bodies include the Council, the local probation, fire & rescue, police and health services. Brighton's partners in the community, the voluntary sector and residents through the Local Action Teams also contribute to the aims of the partnership. Every three years the Brighton & Hove Community Safety Partnership reviews and resets its community safety and crime reduction priorities. In April 2023, the Partnership published its Community Safety and Crime Reduction Strategy 2023-26.

Brighton & Hove Safeguarding Children Partnership (BHSCP) consists of three key agencies who collectively hold statutory responsibilities for keeping children and young people safe – the Council, Sussex Integrated Care System and Sussex Police. These key partners meet quarterly under the BHSCP Steering Group. The BHSCP Board brings together the wider partners to work to the strategic aims set out by the Steering Group, the BHSCP subgroups then take this forward and report back to the Steering Group. The Partnership measures its performance against key statistical indicators such as number of children missing from education, referrals to Front Door for Families (FDfF) and Community Adolescent Mental Health Services (CAMHS) and children identified as being at risk of exploitation. For example, in 2021/22, the Partnership reported 22.4% of re-referrals to children's social care compared to an England average of 22.7%.

During 2021-22, the focus of the BHSCP Exploitation Subgroup was to act as a strategic governance multi-agency group overseeing the Exploitation Action Plan as part of the Community Safety & Crime Reduction Strategy 2020-23 with a real focus on children, young people, transitional and contextual safeguarding. There are numerous examples of progress and achievements as well as challenges in the 2021/22 Annual Report for the Partnership. At present, the 2022/23 Annual Report is yet to be published.

Conclusion

We have not identified any significant weaknesses in the Council's arrangements to achieve economy, efficiency and effectiveness in the use of its resources. The Council achieved positive albeit a mixed performance on Corporate KPIs that support the 2022/23 Corporate Plan. The Council's use of benchmarking demonstrates a concerted effort toward determining evidence-based indicators and ensuring users of the reports are well-informed on how indicators are derived and therefore measured. The procurement function has improved since our report in January 2023 as measured by internal audit. There are however areas of weakness in contract management. The Council continues to work closely with partners as is demonstrated by the various partner relationships outlined. These partnerships continue to produce strategies to focus improvement efforts and indicators of progress against which to measure efficacy.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 5

Members should ensure prompt action is taken to properly understand the reasons for weak or declining performance across the affected services and the extent to which this is being influenced by the financial challenges. Members should also satisfy themselves that prompt and effective action is taken to get performance back to standard.

Why/impact

The Council was able to point to some positive achievements but overall demonstrated a mixed performance during the year. The Corporate KPI set for 2022/23 is made up of 62 indicators, 3 of which will be reported as mid-year annuals. Results from the 59 available KPIs show 65% of the targeted indicators meeting or being within the agreed tolerance level at the end of March 2023. The Council noted that the data showed that 57% of the KPIs were improving, 37% were declining and 6% showed no change in the direction of travel.

Management Comments

The performance update reports will continue to be presented to the Strategy, Finance & City Regeneration Committee. Officers will consistently clarify in the report where the performance is directly affected by financial challenges. However, performance is more usually a related to a complex interaction of resources including training and competence of staff, quality of management and leadership in the service, efficacy of IT and digital systems and processes used to support the service, overall availability of resources, industrial relations issues, absence management performance, the efficacy of collaboration across services or with partners, and so on.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

The Council must make a concerted effort to action internal audit's recommendations in the Contract Management report which noted 'Partial Assurance' in the control environment, particularly in light of its overall financial position.

Why/impact

Given the concerns regarding the financial position, it has become ever more important that the Council has a tight grip on all areas where spend is concerned. The internal audit reports findings are even more concerning when considering the fact that the combined value of the surveyed contracts was over £27 million. A lack of control over contract management practices could result in increased costs as contract managers responsible for variations to prices and costs do not have appropriate expertise or support to ensure that they are securing best value for money.

Management Comments

Effective contract management has proved increasingly challenging as both the demand for services has increased, i.e. an increased number of procurements and contracts, and successive savings have been made across the council resulting in management delaying and a reduced number of contract managers across services. The distributed management of contracts across the whole council has advantages and disadvantages. The advantage is that contracts are managed in services by staff who are knowledgeable and experienced in the relevant service area, but the disadvantage is that corporate oversight and control of contract management is weakened without effective management information and reporting. The improvement actions identified in the Internal Audit report will be implemented as far as practicably possible but a key element of the improvement is linked to the replacement of the council's corporate systems with an ERP solution to enable it to systematically capture and report on contract spend and activity. This programme is currently in the procurement evaluation stage and is due to report the committee in October 2023 with a recommended system award.



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

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>1 The Council should :</p> <ul style="list-style-type: none"> revisit financial plans with the sustainability of reserves in mind to ensure medium term financial plans demonstrate a realistic plan for replenishing reserves where one-off use is expected to cover budget gaps. focus its financial planning on reducing reliance on one-off measures and properly consider opportunities to review service delivery, particularly the prioritisation of statutory versus discretionary spend. review the process of setting savings schemes to build a greater element of contingency/and over-programming into this part of its financial plans. The focus should be on making credible savings plans and strengthening the supporting monitoring arrangements around those savings plans so that they are sufficiently robust to support the delivery on the current large scale savings plan necessary to bridge the budget gap. Due consideration must be given to the fact that the Council is likely going to need to make very difficult financial decisions in the near future if it is to maintain its financial stability. 	Key	January 2023	<p>The council's financial sustainability was clearly communicated to all members through the budget process, including through Committee reports in July, December, January and February in the lead up to setting the 2023/24 budget. However, the external auditor's Key Recommendation was not formally published until late in the budget process on 24 January 2023 at Audit & Standards Committee. However, this was referenced in reports to committee. Two 'All Councillor Briefings' were also issued to all members of the council highlighting the serious financial position and the potential consequences or not addressing financial sustainability or achieving a balanced budget. Added to the financial challenge of another large predicted budget gap of over £14m for 2023/24, following over a decade of budget gaps of similar magnitude, was the forthcoming whole council election. This made the process necessarily difficult in a no overall control council. However, a balanced budget was achieved and, importantly, this did not include any further use of reserves which is not the case across much of the sector. A stronger focus was placed on the achievability of savings proposals and the evidence this year shows that although there are some pressures, the percentage of savings at risk is lower than in the previous 3 years. 'Getting through' the election-year budget was a key challenge and therefore the focus is now on working with a new Administration to address financial sustainability over the medium term. This is covered in the response to the external auditor's recommendations within the 2022/23 Annual Audit Report.</p>	No	See key recommendation 1.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
2 The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.	Improvement	January 2023	As for recommendation 1, there were limited opportunities to fundamentally review the capital programme given the focus of all attention on the very challenging revenue budget position in the context of a forthcoming election. However, as for Recommendation 1, a balanced and fully funded capital programme was approved by council but work has now begun with a new term of Administration to fundamentally review the affordability and effectiveness of the capital programme. A new officer Capital Programme Board (CPG) has been created with specific Terms of Reference to review the programme in terms of its affordability, alignment with the new Council Plan, its potential contribution to improving value for money and enabling medium term revenue savings. The Board will meet every two weeks initially and then at least every 6 weeks after an initial discovery phase. A key objective of the board is to ensure much greater alignment of the development of the capital programme with development of the revenue budget.	No	See improvement recommendation 2.
3 The Council's Annual Governance Statement should be strengthened to ensure unequivocal alignment to the CIPFA Good governance guidance in the following areas: <ul style="list-style-type: none"> Documenting how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year; Communicating to users its governance arrangements and how the controls it has in place manage risks of failures in delivering its outcomes. It should reflect an individual authority's particular features and challenges. Improvement in these two areas will help to bolster the Council's statement and provide necessary reinforcement to the governance arrangements.	Improvement	September 2022	The council continues to improve the process and reporting of the Annual Governance Statement and has made changes to both the process for developing the action plan, the format of the presented information and statement, and the communication of actions and their monitoring through the Executive Leadership Team, Audit & Standards Committee and officer Governance Assurance Meeting.	Yes	No

Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

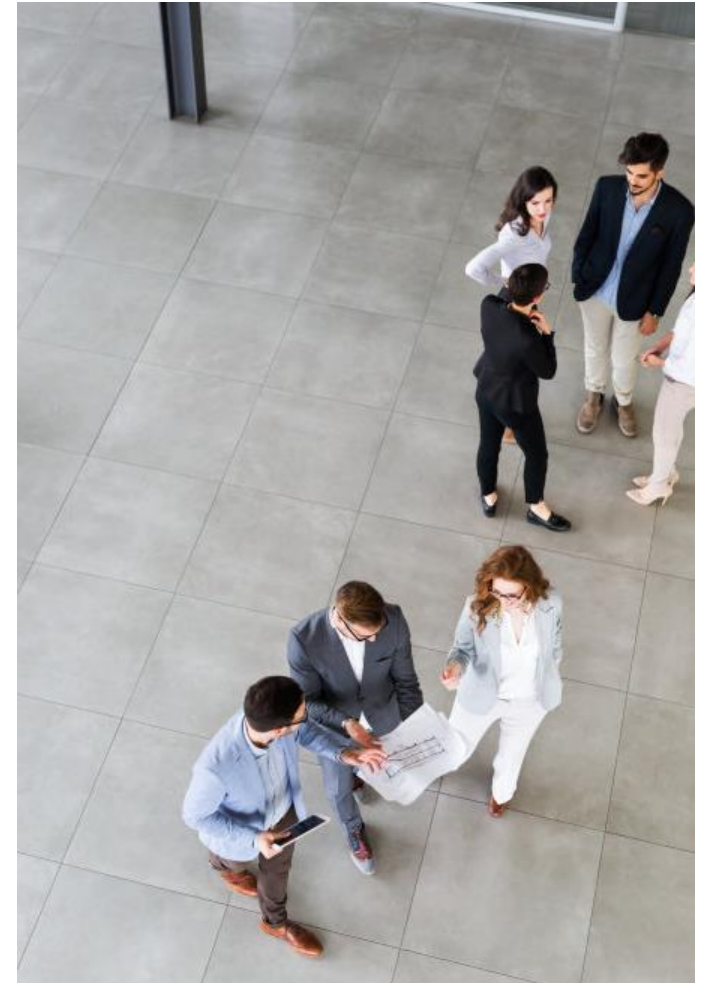
We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

Our audit of the Council's financial statements is still in progress.



Opinion on the financial statements



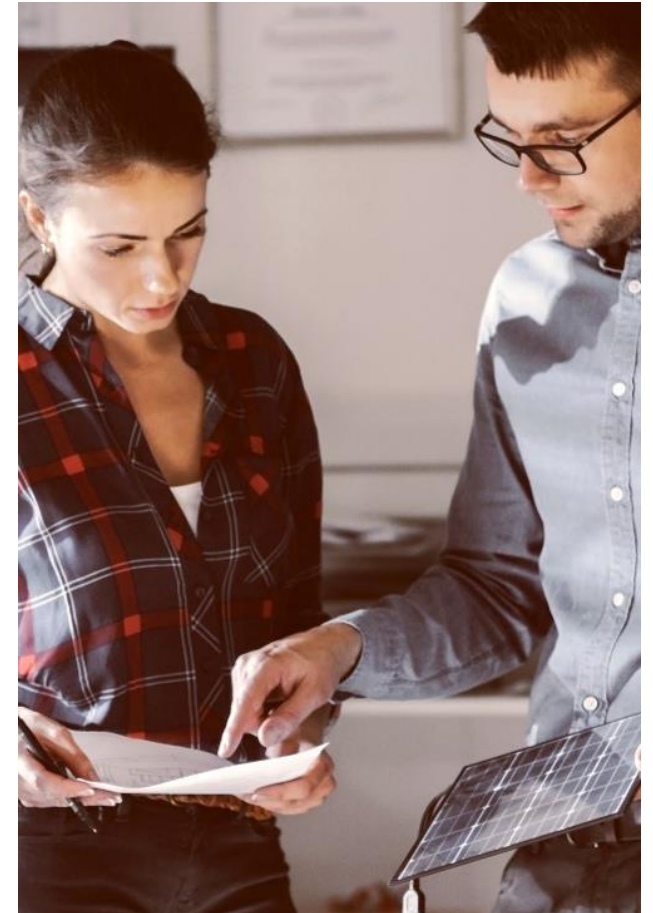
Timescale for the audit of the financial statements

- The audit plan was issued to the 20 June 2023 Audit & Standards Committee.
- The Council provided draft financial statements on the 30 June 2023. There have been some delays in obtaining support for the ITGC work, obtaining support for our audit samples for the journals testing and responses from the managements expert to our pensions and council dwellings related queries which have slowed our progress on the audit.
- Our anticipated financial statements audit report opinion will be unmodified based on the work to date; in our Audit Findings Report (AFR) reported to this meeting we have set out in detail the progress on the audit and what work is ongoing.
- More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Standards Committee on 26 September 2023

Findings from the audit of the financial statements

- Page 8 to 11 of the Audit Findings Report to be issued to 26 September Audit & Standards Committee provides our commentary on significant risks
- We have not identified any adjustment relating to these significant risks, except a 9m adjustment with in debtors, which essentially is a reclassification entry
- No recommendations have been included at present

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit Committee on 26 September 2023. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements

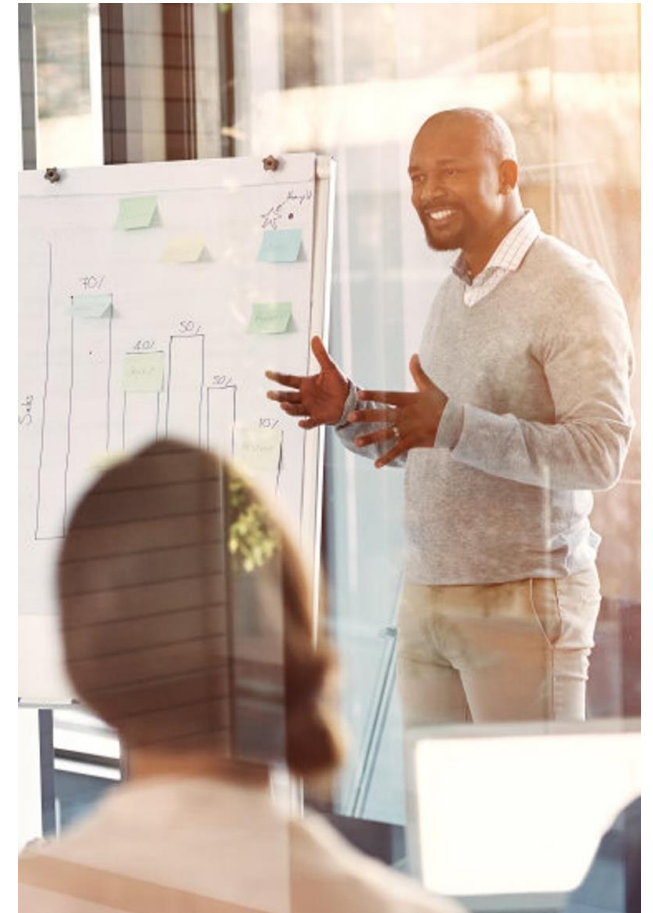


Other opinion/key findings

None at present.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 26 September 2023



Appendices

Appendix A: Responsibilities of the Council

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

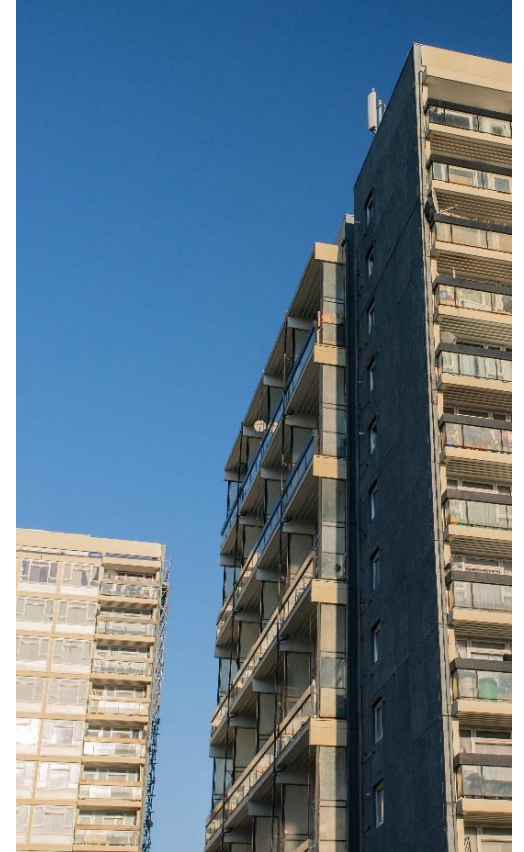
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

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(s)
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 the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	7
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	17, 22-23, 28-29

