

Auditor's Annual Report on South Staffordshire Council

2022/23

November 2023



Contents



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

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



Section	Page
Executive summary	03
Use of auditor's powers	05
Securing economy, efficiency and effectiveness in its use of resources	06
The current LG landscape	07
Financial sustainability	09
Financial governance	13
Governance	14
Improving economy, efficiency and effectiveness	17
Improvement recommendation	20
Follow-up of previous recommendations	21
Opinion on the financial statements	22
Appendices	
Appendix A – Responsibilities of the Council	24
Appendix B – An explanatory note on recommendations	25

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	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified.	G Our work did not identify any areas where we considered that key or improvement recommendations were required.	A We made two improvement recommendations. The Council has addressed one regarding profiling of capital expenditure. The other, regarding sensitivity of commercial income, will be addressed in February 2024 as part of the budget setting report.	↑
Governance	No risks of significant weakness identified.	A Our work did not identify any areas where we considered that key or improvement recommendations were required. However, the two improvement recommendations made in the prior year still need to be addressed.	A We made two improvement recommendations around risk management. Neither of these had been addressed by 31 March 2023. We recommend that they are addressed in 2023/24.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Council in improving arrangements for providing assurance over the accuracy of performance information.	G Our work did not identify any areas where we considered that key or improvement recommendations were required.	↓

- 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 (continued)



Financial sustainability

At 31 March 2023 the Council General Fund balance stood at £8.672m. This represents a very healthy level, with expenditure on Council services in 2022/23 being £11.715m. However, the Council's financial planning shows that, without action, reserves would be depleted by 31 March 2027. The Council is not proposing to develop any large scale savings or cost reduction schemes – preferring instead to plan for increased commercial income from a number of sources – thus reducing the risk of too much reliance on one source. Given the ongoing uncertainty around local government finance this approach is reasonable in the short term.

Arrangements in respect of financial planning, budget setting and control are all sound. We have no recommendations to make.



Governance

Overall the Council has sound arrangements in place, but there is scope to further enhance risk management reporting by implementing the two improvement recommendations we made in our prior year Auditor's Annual Report. The Council has appropriate arrangements in place in respect of internal audit provision, prevention and detection of fraud, climate change, gifts and hospitality and declarations of interest and procurement. Reports to Members ensure that they can make properly informed decisions and senior officers lead the way in terms of standards and behaviours. We have not made any further improvement recommendations.



Improving economy, efficiency and effectiveness

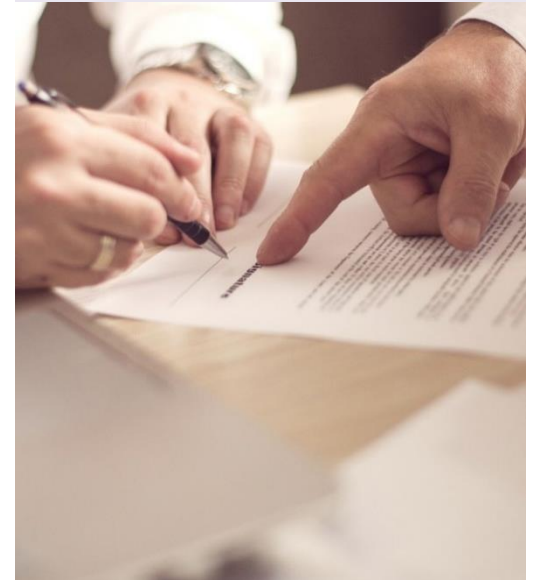
Overall the Council has sound arrangements in place, but we have made one improvement recommendation on page 17 as there is scope for the Council to obtain more robust assurance over the accuracy of reported performance (non financial) information. The Council makes good use of key performance indicators, reporting quarterly on 23 which underpin delivery of its priorities. The Council also ensures it learns from others through peer reviews and benchmarking.



Financial Statements opinion

We are nearing completion of our audit of your 2023/23 financial statements. We are currently awaiting a response from the auditor of the Staffordshire Pension Fund in order to conclude our work regarding the Council's net pension fund liability.

Further details are set out on page 22.



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.

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 & Risk Committee
- Considering the work of internal audit
- Reviewing reports from third parties
- 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 9 to 19.

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 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, 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 there is 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) and there has been an increase in the number of councils who have laid 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.

The current LG landscape (continued)



Local context

South Staffordshire Council is one of eight lower tier councils in Staffordshire, working with Staffordshire County Council and local parish councils in a three tier local government system. The population is around 110,000, with a population density of 700 per square mile. The population is predominantly (98%) White. When compared to England, South Staffordshire has a lower proportion of children aged under five, under 16 and people aged 16-64. There is, however, a higher proportion of residents who are aged 65 and over.

The overall population of South Staffordshire is projected to increase in the period 2020-2030 by 3%, with a significant growth in people aged 65 and over (19%) and aged 85 and over (47%). The rate of increase in the number of older people in South Staffordshire is faster than the England average and equates to 6,600 additional residents aged 65 and over by 2027.

Overall life expectancy of South Staffordshire residents is higher than the national average; men are expected to live until the age of 81 and women until the age of 84. The healthy life expectancy of residents living in South Staffordshire however, is 66 years of age; this in conjunction with the predicted increase in the number of people over 65 in the next 10 years will have increased implications on health and social care provision.

Currently, the percentage of South Staffordshire residents on the dementia, diabetes and hypertension registers is higher than the national average and similarly for adult and child obesity.

The Council is Conservative controlled, with local MPs also being Conservative. The Council is well run, and in 2022 was awarded the iESE UK Council of the Year. Reserves are relatively high, and will be used to address budget deficits in the medium term. Reserves are forecast to last until the end of 2026/27 at least, even if no action is taken. However, the Council anticipates that increased commercial income and business rates will allow it to prepare a balanced budget, without the need to use reserves, in the longer term.

Financial sustainability



We considered how the Council:

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

Short and medium term financial planning

The Council has appropriate arrangements in place to ensure that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

2022/23 financial performance

The Council's final net revenue budget against Council Services was £11.239m. The actual net revenue spend against these services was £11.715m. The overspend of £0.476m was funded through Earmarked Reserves. Total Expenditure was higher, with a budget of £16.239m and expenditure of £15.983m. The difference is primarily due to expenditure, which is matched by income, of £5.141m on the Enterprise Zone and some technical accounting adjustments.

The approved capital programme was £21.834m, but only £6.000m was spent. The failure of a significant contractor delayed one scheme, and the Council recognised that profiling needed to improve, as we recommended in our prior year report, so the capital budget was largely "notional". This has been actioned for 2023/24, as explained on page 12.

2023/24 financial planning

Financial planning ensures that local government funding settlements are reflected in the annual budget and medium term financial planning reports. These reports also include reasonable assumptions around business rates and growth in the council tax base (roughly 300 properties a year on a base of 40,000).

The pay and general inflation assumptions made in the 2022/23 budget were reasonable based on information available at the time. In reality inflation was higher for longer than expected. For the 2023/24 budget setting process, which reported in February 2023, the Council has assumed pay inflation of 5% and general inflation of 2%. The latter figure is, with the benefit of time, on the optimistic side. The Council anticipated this, noting "If possible, budget holders will be expected to find necessary efficiencies to maintain expenditure within budgetary constraints."

The Council manages its finances over the medium term - currently to 2027/28, and there are no plans to sell assets to support revenue expenditure.

The Council recognises the importance of climate change and publishes its own carbon use on the website. The Medium Term Financial Strategy (MTFS) includes an annual budget for climate change staffing of between £50 - £60k a year.

Financial sustainability (continued)

Short and medium term financial planning (continued)

Medium Term Financial Planning

The MTFS 2023/24 - 2027/28 and 2023/24 Budget presented to Cabinet in January 2023 notes that the General Fund balance was projected to be £3.3m at the end of 2025/26, but to be negative by £0.8m by the end of 2026/27. The table below, taken from the draft 2022/23 financial statements, shows that, with reserves at 31 March 2023 being £0.31m higher than expected, the Council is forecasting that, without appropriate action, the General Fund balance would (theoretically) be negative by around £5m by 31 March 2028.

The MTFS report noted "It is clear therefore that before 2026/27 a combination of further savings, increased income levels, or more favourable local government settlements will be necessary to ensure above minimum levels of reserves over a five-year term."

General Fund	24/25 Projected	25/26 Projected	25/26 Projected	26/27 Projected	27/28 Projected
Closing Balance	£000's	£000's	£000's	£000's	£000's
Opening Balance*	(8,361)	(6,589)	(5,269)	(3,297)	824
Forecast in year Surplus / (Deficit)	1,772	1,320	1,972	4,121	4,677
Closing Balance	(6,589)	(5,269)	(3,297)	824	5,501

*Actual opening balance following closure of accounts is £8.672m as at 31st March 2023.

On the next page we comment on the Council's arrangements to address the financial challenge.

The Council's performance against key financial and performance metrics is set out in this table.

	2022/23	2021/22
Planned revenue expenditure	£16.239m	£14.932m
Actual revenue expenditure	£15.983m	£13.140m
Planned capital spend	£21.998m	£31.759m
Actual capital spend	£6.406m	£11.522m
Planned savings target (recurrent/non-recurrent)	£0	£0
Actual savings delivered (recurrent/non-recurrent)	£0	£0
Year-end cash position	£18.022m	£26.601m

Financial sustainability (continued)

Identifying savings

While there is clearly a funding challenge in the longer term, the Council has appropriate arrangements in place to bridge its funding gaps and identify achievable savings.

The Council policy is to maintain General Fund balances at £1.500m or above. As shown on the previous page, current forecasts indicate that this will be possible until around March 2027. The Council does not anticipate needing to develop savings plans - it anticipates that increased or ongoing commercial income will allow a balanced budget to be set, without the need to use reserves, in the medium to longer term. Commercial income includes benefitting from being able to lend at higher interest rates, renting out surplus office space, business rates income from a new industrial park and the Fair Funding Review being further delayed. The Council ensures that it keeps up to date with inward investment and the opportunities this presents for business rates growth, with scenario analysis and modelling undertaken through the MTFP process. Reserves will be used in the shorter term, until these additional income streams are realised.

While this approach is reasonable in the medium term, the Council will need to ensure that any slippage in forecast income is offset in other ways – including identifying savings if necessary – to ensure that the £1.500m General Fund balance can be maintained. Given reserves are projected to be sufficient for four years, even without further action, we have not made an improvement recommendation at this stage.

Financial planning and strategic priorities

The Council has appropriate arrangements in place to plan finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. There is a clear link between the priorities included in the Council Plan 2020-24 and the Medium Term Financial Strategy and annual budget.

The Council does not see sufficient value in distinguishing between core statutory and discretionary expenditure. This is explained in the management response to our improvement recommendation from our 2020/21 Auditor's Annual Report. However, it is clear that expenditure supports corporate objectives. The Council Plan 2020-24 sets out how expenditure has been prioritised to support the objectives of "Prosperous Communities" and "Vibrant Communities". The Plan then shows how Council expenditure is split between these two areas. For example - £7.9m investment in the community and business hub, owning £30m of industrial estates, spending £0.190m on green flag parks and £2.7m on maintaining four leisure centres.

Financial sustainability (continued)

Financial planning and other operational plans

The Council has appropriate arrangements in place to ensure that its financial plan is consistent with other plans such as workforce, capital and investment.

Workforce Planning

The "Workforce Development Strategy 2022-2025" sets out how the Council will work with its staff to meet current challenges and new ways of working. It includes an action plan, none of which require specific focus in the MTFS - they are around leadership, training and recruitment. The Workforce Strategy seeks to align workforce plans with the Resource Planning and Prioritisation (RPP) process model, providing strategic direction for workforce planning.

Capital Planning

The Council has a capital plan which is aligned to its priorities. Higher value schemes include the Wombourne Enterprise Park redevelopment, restoration of a unit damaged by fire and Wombourne Leisure Centre. These major schemes have been subject to delays, but these are not unusual and there is no evidence of schemes being postponed or cancelled inappropriately.

In our previous Auditor's Annual Report we made an improvement recommendation that "The Council should review the profiling of its capital programme to ensure a realistic assessment of project delivery is made at the outset and any slippage is reprofiled throughout the financial year as it occurs." The Medium Term Financial Strategy presented to Council in February 2023 includes profiling of the capital expenditure. However, as set out on page 10, capital expenditure in year has been significantly below plan for the last two years. The reasons for this slippage are clearly set out in reports and are reasonable, and we have not made a further improvement recommendation.

Treasury Management

The "Treasury Management Strategy and Prudential Indicators 2023/24 - 2027/28" report to Audit Committee in March 2023 sets out the planned capital programme each year and how much the Council will need to borrow externally - £6.3m in 2023/24 and £3.8m in 2024/25. The report sets out how the Council balances risk and reward, including criteria for how and with whom it will invest.

Managing risks to financial resilience

The Council has appropriate arrangements in place to manage risks to its financial resilience.

The Medium Term Financial Strategy and budget report clearly sets out the key risks and how these are being addressed. A key risk in financial planning relates to business rates retention. The assumptions made are reasonable. The report includes sensitivity analysis of different scenarios. There is an earmarked reserve in respect of pay and inflation pressures. At 31 March 2023 the General Fund reserve was £8.672m. While this is intended to be used to support revenue expenditure over the MTFS, there is sufficient to cover any unforeseen costs.

Our national "Borrowing and Reserves" benchmarking exercise on unaudited 2022/23 financial statements shows that the Council has higher than average long term borrowing as a percentage of long term assets, at 33%, and ranks 9 of 110 district councils. This is due to £15m of long term borrowing, and is not cause for concern. The Council ranks 95 out of 110 district councils for "Reserves as a proportion of Net cost of services". As noted above, reserves are sufficient in the medium term.

Financial governance

Annual budget setting

The Council has appropriate arrangements in place for setting its annual budget.

The annual budget setting process considers the impact of prior year changes to the budget and includes sensitivity analysis in key areas such as business rates retention.

Internally, the Council approach begins with a review of the quarter two financial position with budget holders to identify an ongoing changes required. This established the cost of "Business as Usual". Policy changes are captured separately. All the changes are pulled together for the Corporate Leadership Team to challenge before the budget is developed.

The Council ensures that there is an opportunity for members of the public to engage with the budget setting process, with links on the website and a dedicated email address. However, as in previous years, no responses have been received. The Council recognises that "greater engagement can be a source to better directed resources in relation to resident's priorities." While this is not an area of improvement, the Council may wish to consider more proactive means, such as focus groups.

Financial plans are reviewed and approved through the budgetary control process and by the Corporate Leadership Team and Members.

In our previous Auditor's Annual Report we made an improvement recommendation that "As part of its commercial strategy, linked with budget setting and financial monitoring, the Council should review sensitivities around its commercial income." The Council has not yet been able to progress the recommendation as the MTFs for 2024/25 will not be presented until January / February 2024.

Budgetary control

The Council has appropriate arrangements in place to ensure sound budgetary control.

The Council provides accurate and timely financial monitoring reports to budget holders. Appropriate information is provided, meetings are held, and narrative responses to variances included as appropriate.

The Council financial position is reported quarterly to Overview & Scrutiny Committee and to Cabinet. Reports provide a narrative summary and then detailed appendices which include the position by budget heading with forecast outturn, impact on reserves and risk rating. More detail is then provided for each area. This includes a clear explanation of cost pressures, for example utility and pay costs.

The Council has a suitably experienced finance team and responds very well to audit queries. There is no evidence of inappropriate financial reporting or delays in publishing financial statements.



Governance



We considered how the Council:

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

Risk management and internal controls

The Council has appropriate arrangements in place to assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. However, there is scope to further enhance risk management reporting and we note that the two improvement recommendations made in our prior year Auditor's Annual Report have yet to be addressed. These are highlighted below.

Risk Management

As recommended in our prior year Auditor's Annual Report, "the Risk Management Strategy issued in October 2019 may need a refresh to make it more relevant to the present circumstances and also enable the Council to effectively identify its risks." Officers have confirmed that they are in the process of reviewing the risk management strategy during 2023/24. As this has not been actioned in 2022/23 our improvement recommendation remains valid.

Cabinet has overall ownership of the Strategy whilst the Audit and Risk Committee has a monitoring role. Independent assurance is provided by Internal Audit. The Council has arrangements in place to report risks to Cabinet through the corporate risk register with the focus on strategic risks that could impact the Council's strategies priorities.

The risk register contains most of the information we would expect to see, including the risk the description, cause, impact and likelihood. Risks are assessed (Red / Amber / Green) to show the severity of the risk, with controls proposed to manage the risks. However, there is no evidence of mapping risks to corporate objectives and named responsible individuals or posts for each risk are not specified. The direction of travel of the risk is also not clear. Our prior year improvement recommendation "The Council should review the level of detail included within its Strategic Risk Register." therefore remains valid.

Internal Audit

The Council internal audit function is provided by Staffordshire County Council. It is effective as evidenced by a comprehensive plan that covers a mix of important areas for the Council. Internal Audit provides regular updates to the Audit and Risk Committee with a report presented at each meeting. We also note the findings of the External Quality Assessors report that concluded that the Internal Audit Service generally conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application. This is the highest category level that can be awarded via the CIPFA assessment process.

Prevention and detection of fraud

The Council has appropriate arrangements in place to deal with fraud and corruption. Anti-fraud and corruption is a function under Internal Audit and activities are planned as part of Internal Audit work. We also note that regular updates on anti-fraud and corruption work are taken to the Audit and Risk Committee as part of Internal Audit progress updates.

Governance (continued)

Informed decision making including the Audit & Risk Committee

The Council has appropriate arrangements in place to support informed decision making.

The Council operates a committee system and information is readily available on the Council public website. The annual work programme for each committee is issued to Members. Significant decisions were taken to Council and Cabinet and these included the review of the constitution in May 2022 and approval to enter into a Shared Service Agreement with Stafford Borough Council who will deliver the Disabled Facilities Grant service on behalf of South Staffordshire Council in December 2022.

There is an appropriate 'tone from the top' at the Council. The constitution includes codes and protocols and behaviours expected of Members and senior officers. The Local Government Association corporate peer challenge report from October 2022 noted a strong corporate leadership and that good relationships are in place. The Council received external recognition including iESE UK Council of the Year 2022 and the Chief Executive being nominated for Chief Executive of the Year.

The Council has an effective Audit and Risk Committee which provides appropriate challenge and regularly meets to discuss and decide on issues regarding internal controls, governance and risk. The annual work programme of the committee clearly lays out a mix of issues taken to the committee. Attendance at the committee meetings has also revealed effective challenge by the Audit and Risk Committee.



The Council's performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	'Substantial' assurance.	'Substantial' assurance.

Governance (continued)

Standards and behaviours

The Council has appropriate arrangements in place to ensure and monitor appropriate standards and behaviours.

Arrangements to monitor Member compliance with standards includes a regularly reviewed constitution and code of conduct. A dedicated committee (Standards and Resources Committee) meets and receives updates on conduct complaints by the Monitoring Officer.

Members receive a monthly communications note from the Leader of the Council and regular communications from the Chief Executive and Corporate Leadership Team (CLT) on key matters. There is a bespoke weekly news round-up distributed by email to all Members, capturing key events and news items of interest to Members. The Chief Executive meets with Group Leaders on a quarterly basis and the Leader of Council and Deputy Leader weekly and is joined by CLT colleagues as required.

Climate Change

The Council has appropriate arrangements in place to monitor climate change evidenced by the Climate Change Strategy published in 2020 to ensure the Council meets its statutory environmental duties and looks to capture the opportunities and benefits of tackling climate change. We have also noted some notable initiatives such as the launch of the South Staffordshire Climate Prize; encouraging community groups, local businesses, schools, and residents to get involved and bid for funding to make their ideas for local climate change projects a reality.

The Council also has appropriate arrangements in place for reporting on progress with clear measurables for future actions. The Internal Audit "Climate Change" report from June 2023 made five medium and five low priority recommendations, primarily around reporting and including climate change costs in the MTFS. Overall "Adequate" assurance was provided. All recommendations have been accepted. We have not duplicated the recommendations.

Gifts & Hospitality and Declarations of Interest

The Council Constitution has a section that covers arrangements for dealing with Gifts and Hospitality. The guideline gives procedures for acceptance of gifts and hospitality to be followed by officers. The Constitution and the contents there in are regularly updated to reflect the prevailing environment. The Gifts and Hospitality Register is up to date, with appropriate entries.

Members' declarations of interest are included on the Council website. Appropriate arrangement are in place for officers' declarations.

Procurement

Appropriate arrangements are place to ensure regulatory standards for procurement are met. These are provided for on Part 4 of the Constitution under Contract Procedural Rules (CPRs). These CPRs must be followed by Officers and breach of them is potentially a matter for disciplinary action.

The Council entered into a Shared Service Agreement with Stafford Borough Council who will deliver the Disabled Facilities Grant service on behalf of South Staffordshire Council from 1 April 2023. The Council followed procedure by reporting through Cabinet. A programme board was established in January 2023 to develop and implement a project plan, risk register and programme of works to develop a shared service. Stafford Borough Council will be the host authority for the shared service. Arrangements to manage the contract are appropriate, and include allowing for *"the transfer of funds and the reconciliation at the end of the financial year, monthly monitoring of Key Performance Indicators (KPI's) and updates of applications, approvals, works on-site and completions. There will be monthly meetings to ensure the high performance is maintained and that residents are receiving a good service. Progress reports will be provided to the Corporate Leadership team and Cabinet on a quarterly basis, this will cover the performance against KPI's, the progress of works and the financial position against the annual budget."*

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Use of financial and performance information

The Council has appropriate arrangements in place regarding the use of financial and performance information, including benchmarking and peer reviews. We have made one improvement recommendation where we consider the Council could obtain independent assurance over the accuracy of reported performance information.

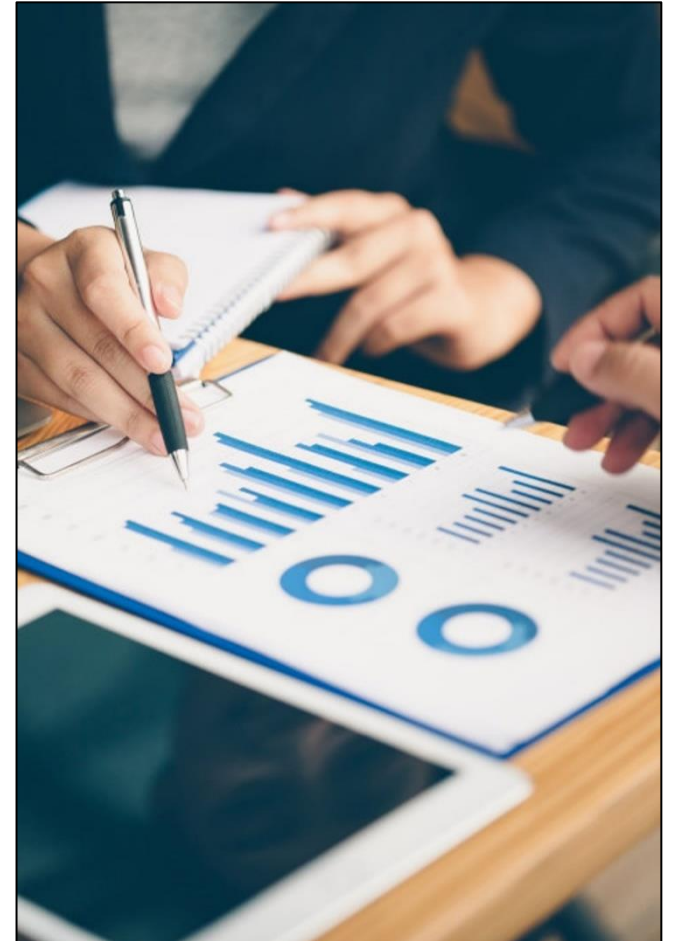
Use of key performance indicators

The Council has identified 23 performance indicators which underpin delivery of its priorities. These are reported quarterly with an explanatory narrative about each, including why they are below target as relevant. The year end position shows 16 green, 0 amber, 6 red and 1 N/A. The red indicators are within refuse / waste, leisure centres and sickness absence.

Accuracy of financial and performance data

The Council has appropriate arrangements in place to provide assurance over the accuracy of financial information. Sound internal controls and processes are supported by the work of internal audit, who provided "Substantial" (the highest level) assurance over "Budgetary Control". The Council has similar processes in place with regard to performance information, but there is no evidence of review by internal audit. This is an area the Council could consider asking internal audit to review in order to provide independent assurance, and we have raised an improvement recommendation.

In order to obtain independent assurance over the accuracy of performance information reported to Members, the Council should consider asking Internal Audit to include this in their programme of work.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Learning from others

The Council is keen to learn from others, and requested a Corporate Peer Challenge (Peer Review) undertaken by the Local Government Association (LGA) which took place in early October 2022. The report was very positive, while also identifying eight areas for consideration to which the Council has responded positively.

The Council also uses benchmarking appropriately. The Council recognises the role that benchmarking can have, in comparing with others and identifying outliers, but is aware that this comes with risk and challenge - for example - understanding how others have recorded and collated information. The Council therefore focuses effort more locally - it subscribes to LG Futures who routinely provide the authority with data comparing Council performance against other authorities in general - and near neighbours (in terms of size and responsibility) in particular. The Council also meets regularly with senior Finance Officers from Staffordshire authorities.

Assessing performance and identifying improvement

The Council reviews and sets strategic priorities through the Council Plan and then ensures that appropriate investment is included in the annual budget. For example, to support the work being done around climate change and customer services.

Partnership working

The Council works with a number of partners to help deliver its strategic priorities. The Council has also worked with partners to develop a collaborative approach to economic recovery, including a ten point plan.

The Council ensures that there is an opportunity for members of the public to engage with the budget setting process, with links on the website and a dedicated email address. However, as in previous years, no responses have been received. The Council recognises that *"greater engagement can be a source to better directed resources in relation to resident's priorities."* While this is not an area of improvement, the Council may wish to consider more proactive means, such as focus groups.



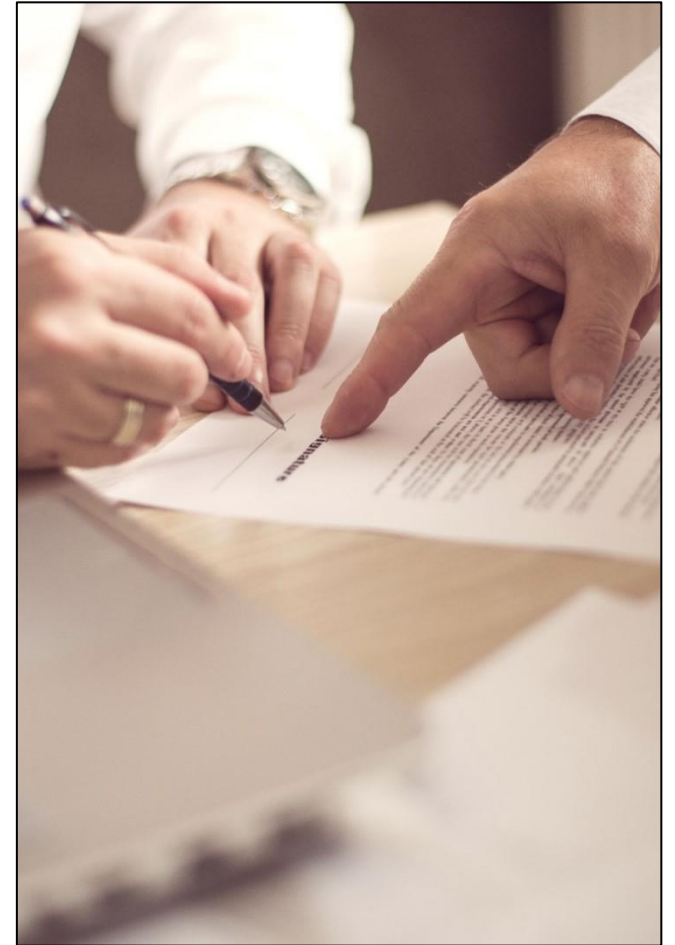
Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement


The Council works with key service providers to ensure that priorities are achieved. For 2022/23 the capital programme included £3m for "split back" refuse collection vehicles and £0.876m for reusable bags to collect fibre products. Both of these facilitate dual stream collection.

The Constitution, which includes contract procedure rules, is reviewed and updated annually.

Internal Audit undertook a review into Corporate Procurement, providing "Adequate" assurance overall, and identifying three medium and three low priority recommendations, all of which the Council has accepted. We have not duplicated the recommendations.



Improvement recommendations

Improvement Recommendation 1	In order to obtain independent assurance over the accuracy of performance information reported to Members, the Council should consider asking Internal Audit to include this in their programme of work.
Improvement opportunity identified	Reporting of performance information is robust and comprehensive, but there is no independent assurance over its accuracy.
Summary findings	The Council has robust arrangements in place over the accuracy of reported financial information, but less so for performance information.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Management acknowledge the finding and recommendation. Discussions have started with a view to examining an appropriate role for internal audit in the examination of published performance data.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit & Risk Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	As part of its commercial strategy, linked with budget setting and financial monitoring the Council should review sensitivities around its commercial income.	Improvement	February 2023	The Council has not yet been able to progress the recommendation as the MTFS for 2024/25 will not be presented until January / February 2024.	No	Yes – address the recommendation in the 2024/25 MTFS.
2	The Council should review the profiling of its capital programme to ensure a realistic assessment of project delivery is made at the outset and any slippage is reprofiled throughout the financial year as it occurs.	Improvement	February 2023	The Medium Term Financial Strategy presented to Council in February 2023 includes profiling of the capital expenditure.	Yes	No
3	The Council should review its risk management policy and supporting reporting arrangements (current policy dated Oct 2019).	Improvement	February 2023	The Council is in the process of revising its Risk Management Strategy with a Quarter 1 2023/24 monitoring update presenting a draft of the strategy.	No	Yes – address the recommendation during 2023/24.
4	The Council should review the level of detail included within its Strategic Risk Register.	Improvement	February 2023	This has not yet been actioned.	No	Yes – address the recommendation during 2023/24.

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

We are nearing completion of our audit of your 2023/23 financial statements. We are currently awaiting a response from the auditor of the Staffordshire Pension Fund, in order to conclude our work regarding the Council's net pension fund liability.

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit and Risk Committee.



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'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	20

