

# Auditor's Annual Report on South Staffordshire Council

2021-22

February 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.



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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 2021/22 is the second 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. Our conclusions are summarised in the table below.

We presented our Audit Plan to the Audit Committee in May 2022. We reported at that time that we had not identified any risks of significant weaknesses from our initial planning work. We have continued our review of your arrangements, and are now able to issue our auditor's annual report.

We have made four "Improvement Recommendations" as set out on pages 9,10,14 and 15. In our opinion, 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.



## Financial sustainability

The Council continues to be in a sound financial position. From our review we are satisfied that the Council's finances are well managed and there is a high level of understanding of its budgetary position, budgetary pressures and savings required. There is an established process by which the budget is reviewed regularly and issues reported on a timely basis to those charged with governance.

We have made two improvement recommendations. See pages 9 & 10.



## Governance

The Council has a clear governance framework in place, including risk management, internal audit and counter fraud. We have not identified any areas of significant weakness in the Council's arrangements with regard to managing risk, setting ethical standards, internal control and decision making.

We have made two improvement recommendations. See pages 14 & 15



## Improving economy, efficiency and effectiveness

The Council makes good use of benchmarking and Key Performance Indicators – initially to inform the key strategic priorities for the Council Plan, and then to monitor and improve performance within Directorates. The Council reviews and challenges strategic priorities and the cost-effectiveness of existing activities, to identify where they do not contribute sufficient value. The Council is also actively engaged in a number of key partnerships.

# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We completed our work and issued an unmodified audit opinion on 10 November 2021 . Our detailed findings were set out in our Audit Findings Report, which we presented to Audit and Risk Committee on 8<sup>th</sup> November 2022. This information is published on the Council's website.

## Statutory recommendations

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

We did not issue any statutory recommendations

## 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 apply 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 an advisory notice

## Judicial review

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

We did not apply for 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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 18.



# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds those that are relevant into its short-term and medium-term 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Financial performance

The Council's Medium-Term Financial Strategy (MTFS) 2021/22 - 2025/26, and 2021/22 budget rightly acknowledge 'unprecedented levels of uncertainty', in particular regarding the continuing impact of Covid 19, the outcomes of the fair funding review, the future of business rates and the state of the local and national economy.

The Council's financial strategy has been updated for the period 2021/22 to 2025/26 to model the impact of changes in assumptions, budgetary pressures, reductions in funding and savings. As scenario planning is built into the budget setting process we are satisfied that the assumptions and judgements used by management to set a balanced budget are as realistic as possible. The Council has a risk assessed level of general fund reserves which will enable the Council to absorb some of these pressures in the short-term.

Base budget assumptions include inflation, pay awards, vacancy considerations, and pension costs. Changes to funding have also been factored in terms of New homes bonus, lower tier services grant, Business rate growth uncertainties and proposed council tax increases. The assumptions included are consistent with the prior year and are deemed reasonable from our perspective.

The Council does have income from commercial activities, primarily rental income from Industrial Estate properties within the local area. As such the council is exposed to potential loss of rental income from businesses ceasing to trade or making alternative property decisions in the current economic climate. As part of its commercial strategy, linked with budget setting and financial monitoring the Council should review sensitivities around its commercial income, and we have raised this as an improvement recommendation on page 9 of the report.

## Financial planning

The financial position over the medium term shows a projected deficit of £2.104m in 2022/23, a projected deficit of £2.041m for 2023-24, £1.747m for 2024-25 and the £1.804m for 2025-26. The council currently holds a level of reserves to support the deficits stated however this would leave the Council with a level of reserves at 2025-26 below the £1.5m limit set for reserves. Due to the level of general fund reserves there is no immediate concern regarding the Council's financial position. We are satisfied the council has been prudent in its forecasting against the backdrop of uncertainty Local Government Finance.

The Council have borrowed for the first time in 2021/22 to assist its short-term cash flow position and more recently to fund the capital programme. The interest rates secured against the borrowing were lower than budgeted resulting in a saving to support the MTFS.

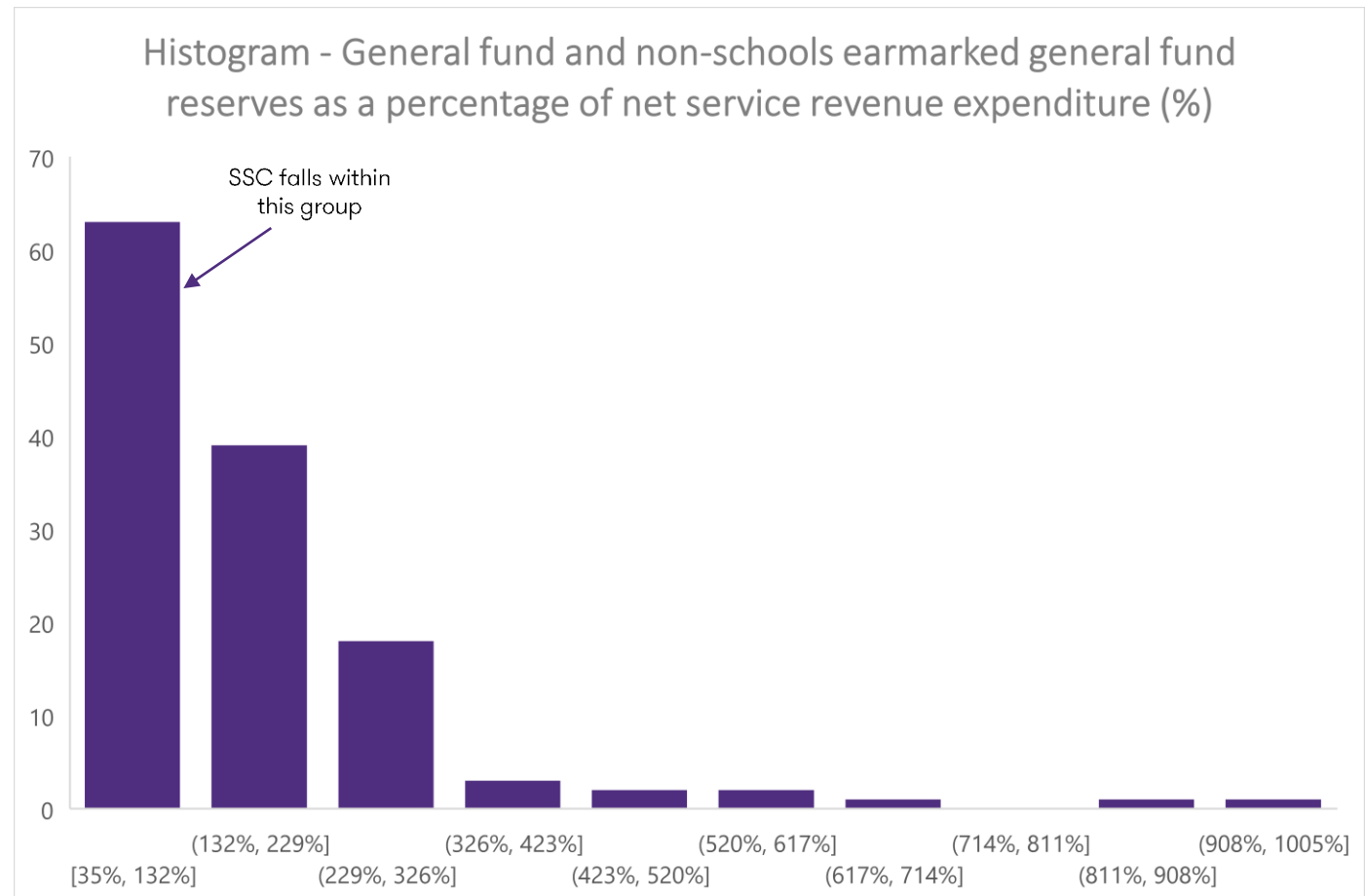
The MTFS covers a period of the five years and highlights the various financial challenges facing the Council over this period. It presents a balanced budget for a four-year period to 2025-26 by utilising reserves. The MTFS shows the impact of changes in assumptions, budgetary pressures, reductions in funding and savings.

# Financial sustainability

## Benchmarking- reserves

As at 31<sup>st</sup> March 2022 the Council's balance sheet remains robust with healthy levels of risk assessed General Fund and Earmarked Reserve balances in place. The Council's General Reserves are forecast to remain above minimum levels (set a £1.5m) until midway through the 2025/26 financial year. Total usable reserves have remained stable between 2020/21 and 2021/22.

Councils have varying approaches to setting minimum reserve levels which are impacted, amongst other things by specific local factors as well as each organisations attitude to risk. The chart opposite is an analysis of 'district' Councils nationally in terms of Usable general fund reserves plus usable earmarked reserves as a % of net service expenditure. (ie excluding for example revaluation reserve, Pensions reserve etc). At 78% South Staffordshire Council falls within the first bar, namely 60% of 'district' Councils have general fund and non earmarked general fund reserves between 35% and 132% of net service expenditure.



# Financial sustainability

## Financial Planning continued

From our review of the Council's financial planning it is robust and there is evidence of the Council's financial position being scrutinised at Cabinet (quarterly) and Council as part of annual budget setting and resource prioritisation process. It is clear that financial risks in the Council are being managed in the short term. This is supported by there being no evidence of the Council making significant use of capital resources to relieve short term revenue pressures.

The budget preparation process is overseen by experienced and qualified staff, familiar with the requirements of the budget preparation process. Proposals for growth and savings have been carefully reviewed in order to be satisfied of their robustness and for their relationship to the priorities of the Council. From our review we are satisfied the budget does not contain significant levels of unspecified or unrealistic savings proposals or contingencies.

Underpinning the MTFS are detailed service area budgets which include the saving schemes are scrutinised by Service Team Managers (weekly); extended leadership team (ELT), Cabinet members and the Overview and Scrutiny Committee. In particular, proposals for growth and savings are reviewed in order to challenge their robustness and consider their relationship to the priorities of the Council. The council does acknowledge that the budget is balanced by the use of reserves and more work needs to be done in order to be financially secure over a 5 year period. Efficiencies and income opportunities are being targeted in order to close the funding gap.

The Council's approach to strategic financial planning - Resource Planning and Prioritisation (RPP) puts the focus on planning and prioritising resources based on quality conversations supported by insight into the finances, other resource considerations (eg workforce), risk and issues, performance, challenges and opportunities. This helps to support the preparation of the MTFS which we believe is based on prudent assumptions, clearly setting out the impact of demand on key services.

Overall, the Council is good at recognising, assessing and re-evaluating the impact of changes in expenditure drivers, for example pay inflation. Financial plans are based on key assumptions that are realistic, reasonable and backed by appropriate supporting evidence.

Cash flow forecasting is done at a high level as part of the MTFS process. This feeds into the Treasury Management Strategy in terms of the levels of cash resource that is available for investing or to identify where there are cash shortfalls.

Whilst discretionary spending is subject to close scrutiny when spending and savings plans are being considered, these two types of spending are not clearly differentiated in the financial planning reports, which underpin the budget and MTFP. We identified the area of reporting on controllable and uncontrollable spend as a recommendation within the 20-21 Auditor's Annual Report. An update on this recommendation is included in Appendix C.

The Council Plan, MTFS, Capital Strategy, and Treasury Management Strategy are closely aligned, ensuring, for example, that any additional staffing requirement and the revenue cost of capital projects are fed into the MTFS and hence the annual budgets. All are appropriately presented to Members and subject to scrutiny before final approval.

## Capital strategy

The Council's original capital programme for 2021/22 of £5.773m was approved within the February 2021 Medium Term financial Strategy. During the year there were a number of changes approved in respect of the capital programme including £19.4m of slippage from prior years, mainly in relation to the Codsall Hub and Commercial asset strategy. The Council should review the profiling of capital programme to ensure a realistic assessment of project delivery is made at the outset. This will enable the Councils to ensure any revenue consequences of capital profiling are also considered. An improvement recommendation has been made

**From our review we are satisfied that the Council's finances are well managed and there is a high level of understanding of its budgetary position, budgetary pressures and savings required. There is an established process by which the budget is reviewed regularly and issues reported on a timely basis to those charged with governance. We have identified two improvement recommendations.**



# Improvement recommendations

## Financial sustainability

<b>1 Recommendation</b>	As part of its commercial strategy, linked with budget setting and financial monitoring the Council should review sensitivities around its commercial income.
<b>Why/impact</b>	The Council receives income from commercial activities, primarily rental income from Industrial Estate properties within the local area. As such the council is exposed to potential loss of rental income from businesses ceasing to trade or making alternative property decisions in the current economic climate.
<b>Auditor judgement</b>	Greater agility on financial management is required given the current financial uncertainties, regular review and challenge of assumptions around commercial income streams is required to ensure financial forecasts remain accurate and illustrate the financial risks.
<b>Summary findings</b>	MTFS assumptions are updated as part of the annual budget setting process.  Sensitivity analysis is undertaken as part of this process however it is recommended more detailed scenario planning is carried out as part of the Councils review of commercial income built into the MTFS.
<b>Management comment</b>	Overall the Council has been pleased that our investments in commercial property have, to date, proved robust against the backdrop of both the pandemic and challenging economic conditions. We accept however that this may not necessarily be the case in the future. Such discussions do form an integral part of the RPP process but as you note, such sensitivities are not currently explicitly reported in the MTFS report (unlike Business Rate income sensitivities which are). We welcome any recommendations to improve the relevance and understanding of the MTFS report and will seek to incorporate this improvement in the MTFS budget report for 2024/25.



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

# Improvement recommendations

## Financial sustainability

**2 Recommendation** The Council should review the profiling of 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.

**Why/impact** Accurate capital profiling will enable the Councils to ensure any revenue consequences or additional funding requirements are considered in a timely manner.

**Auditor judgement** Capital slippage was not assessed and reprofiled at regular intervals within the financial year and its impact on the MTFS assessed in a timely way.

**Summary findings** The Council's original capital programme for 2021/22 of £5.773m was approved within the February 2021 Medium Term financial Strategy. During the year there were a number of changes approved in respect of the capital programme including £19.4m of slippage from prior years, mainly in relation to the Codsall Hub and Commercial Asset Strategy.

**Management comment** The recommendation mirrors similar comments made by the peer reviewer conducted in 2022 and we fully concur. Further to the Peer Review, more considered profiling of our Capital Expenditure was encapsulated in the MTFS budget report approved by Full Council in February 2023. We shall ensure this improvement is both sustained and embedded going forwards.



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

# 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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Budget setting processes and monitoring

The Council produce the Budget Setting Report in February prior to the start of the financial year. The MTFS is then updated during the year if appropriate. The construction of the budget and the MTFS involves a number of key stages designed to ensure the budget is robust including:

- Identification of budget issues as part of budgetary control;
- Assembly of savings, efficiencies and additional budget requirements through the RPP process;
- Decision on Draft Budget;
- Consultation with Stakeholders;
- Overview and Scrutiny Committee consider the draft budget;
- Cabinet Review of Final Budget; and
- Approval by Full Council.

Senior Leadership and the Executive are involved throughout the Budget setting process which ensures that priorities are considered and relevant financial pressures taken into account. The Councils 2021/22 Budget setting report was approved at Full Council on 23<sup>rd</sup> February 2021. We have reviewed subsequent minutes of meeting and we are satisfied there is evidence of appropriate challenge.

The detailed budget preparation is overseen by an experienced qualified accountant, supported by other finance staff, both qualified and unqualified, familiar with the requirements of the budget preparation process. Directorate finance teams work with their lead officers initially to identify any pressures or opportunities for savings. The Directorate leadership teams then work with Portfolio Holders to establish the pressures and mitigations within each service area. Public consultation takes place on key specific budget proposals where that is necessary and appropriate. The budget proposals are shared with relevant stakeholders before being presented to Cabinet and approved by full council.

Decision making processes and delegations are set out within the Council's Constitution and Financial Regulations. This includes the remit of committees within the Council's structure together with the decision making processes that are delegated to Council Officers. Where formal decisions are required they are reviewed by the appropriate Scrutiny Committee in advance of presentation to Full Council. This ensures that all decisions made have been subject to appropriate levels of scrutiny.

The statutory public engagement with the budget setting process is also observed, giving residents the opportunity to interact with the Council and this process, and to feed back on the budget, on priorities and on the plan.

# Governance

## Monitoring and assessing risk

The Council has appropriate arrangements in place to identify risks at a Directorate or Corporate level. Those risks are then assessed and scored, before being monitored. Risks are primarily managed with the oversight of the responsible Director. Where necessary, owing to the scoring, risks are escalated for management by the Corporate Leadership Team. The process is overseen by the Audit and Risk Committee, which receives quarterly reports and then ensures that the risk management system is working as intended.

The Council's approach to risk management is detailed within its risk management strategy. This is available on the Council's webpage and is dated October 2019. Given that this is a pre-pandemic strategy it is recommended the Council reviews to ensure it remains relevant and in particular captures any changes to the councils overall risk appetite. See page 12 of this report.

The Risk Management Strategy states a quarterly risk management update is provided to the Audit and Risk Committee. In February 2022 the Strategic Risk Register for quarter 2 (to September 2021) was presented to the Audit and Risk Committee, following presentation to Cabinet in December 2021, however there is no evidence this has been reported on a quarterly basis.

The Strategic Risk Register (Quarter 2) includes detail of the risk, cause, assessed impact and mitigations. A recommendation has been raised regarding level of detail within the report. For example the report does not include:

- A named responsible officer for each risk
- Clear link to strategic objective
- Direction of travel – for example has risk levels increased/ remained the same /decreased since last reported.
- Date for proposed mitigations to be completed

The Council has appropriate arrangements and policies in place to prevent and detect fraud, including the Code of Conduct, Whistleblowing Policy and Counter Fraud & Corruption Strategy. Where potential breaches are identified these are investigated by Internal Audit and reported to the Audit and Risk Committee. Through our ongoing discussions with Internal Audit, they have no knowledge of any actuals, suspected or alleged fraud affecting the entity during 2021/22.

The Council has adopted the Code of Conduct ("the Code") as required by Section 27 of the Localism Act, 2011. The Council expects Members to follow this Code when they are conducting the work of the Council, representing the Council on any external organisation, and otherwise acting in their official capacity. The Code of Conduct contains the provisions related to Business, Private Work and Gifts including declaration gifts/hospitality and interests (both pecuniary and other interests).

## Internal audit

The Council has an outsourced Internal Audit function which is hosted by Staffordshire County Council which is adequately resourced and effectively assesses the operation of internal controls. Progress reports are provided to each Audit and Risk Committee with appropriate information on which to assess whether internal controls have operated as expected. Where audits find this not to have been the case, the full audit report is presented, with an officer explaining the actions being taken and progress made against each of the recommendations.

The Internal Audit Strategy and Plan 2021/22 was approved by Members of the Audit & Risk Committee on 22nd June 2021. Since the original plan was approved, there have been some additional exercises undertaken and some audits cancelled. The net effect, however, is that the key performance target of 90% for delivery against the audit plan 2021/22 was exceeded.



# Governance

## Leadership and Committee effectiveness

Appropriate leadership is in place. The "tone from the top" is positive - senior officers are always keen to ensure that, for example, Members are provided with a full picture before making any decisions.

The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure these are efficient, transparent and accountable to local people.

We have assessed whether the codes of conduct and the expected policies for ethical governance were up to date and how adherence was monitored. The Council has adopted the Code of Conduct ("the Code") as required by Section 27 of the Localism Act, 2011. The Council expects Members to follow this Code when they are conducting the work of the Council, representing the Council on any external organisation, and otherwise acting in their official capacity. The Code of Conduct contains the provisions related to Business, Private Work and Gifts including declaration gifts/hospitality and interests (both pecuniary and other interests).

From our assessment we are satisfied that policies have been appropriately reviewed and monitored.



# Improvement recommendations



## Governance

**3 Recommendation** The Council should review its risk management policy and supporting reporting arrangements (current policy dated Oct 2019)

**Why/impact** The policy in place is pre-pandemic. Many organisations have reviewed their risk management arrangements and identified in particular their risk appetite has changed following the pandemic.

**Auditor judgement** The Council adapted well throughout the pandemic and the experience of this could mean certain departments have an altered view of risk appetite.

**Summary findings** The Council's Risk management policy is over 3 years old and hence pre-pandemic.

**Management comment** Agreed. The Council will seek to refresh its Risk Management Policy in the light of the post-pandemic climate and ensure it is published on the newly designed Council web-site.



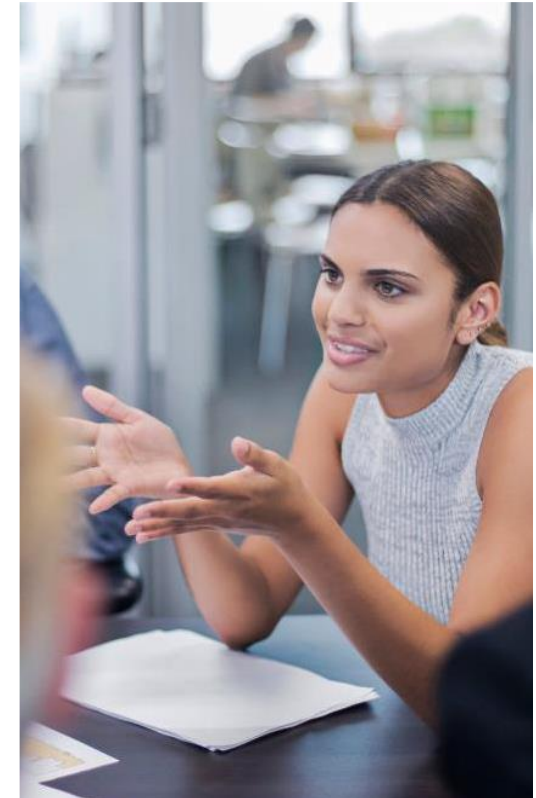
The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

<b>4 Recommendation</b>	The Council should review the level of detail included within its Strategic Risk Register
<b>Why/impact</b>	To ensure there is a robust and consistent approach to managing risk across the Council.
<b>Auditor judgement</b>	Whilst we are satisfied the council does have a strategic risk register it is unclear how this aligns to the Councils strategic objectives and who is responsible for oversight of each risk in particular.
<b>Summary findings</b>	<p>The Strategic Risk Register (Quarter 2) includes detail of the risk, cause, assessed impact and mitigations. A recommendation has been raised regarding level of detail within the report. For example the report does not include:</p> <ul style="list-style-type: none"> <li>• A named responsible officer for each risk</li> <li>• Clear link to strategic objective</li> <li>• Direction of travel – for example has risk levels increased/ remained the same /decreased since last reported.</li> <li>• Date for proposed mitigations to be completed</li> </ul>
<b>Management comment</b>	Agreed. In refreshing the Risk Management Policy above, the Council shall, in conjunction critically examine all aspects of the Risk Management Register and where appropriate, make the improvements suggested.



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

# 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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Financial and performance information

Regular reporting of performance and financial information is undertaken by the Council. As part of this, the Council consider the delivery of services and the Council priorities and previous performance. The Council, Executive & Scrutiny Committees receive a variety of performance and financial based reports throughout the year to continuously monitor performance. The Annual Report and Annual Governance Statement set out the review of performance for the year.

The Corporate Plan sets out key performance indicators for the Council's objectives, and provision of services are assessed against these objectives. The nature of monitoring therefore is dependent on the nature of the service provided and the key performance indicators monitored. The Narrative Report sets out a review of achievements against the Corporate Plan.

We are satisfied the Council reviews and challenges strategic priorities and the cost-effectiveness of existing activities, to identify where they do not contribute sufficient value. For example, the decision to introduce green waste charges.

## Partnership working

The Council works in partnership with a large number of organisations, contributing effectively to the arrangements and agenda for each partnership or group. One example of effective partnership working is the South Staffordshire Partnership.

The South Staffordshire Partnership brings together key local agencies from the public, private, voluntary and community sectors. The Council has led the collection of third party data in relation to community profiles to support Locality working which focusses on improving the quality of life in the community and how services are delivered. In relation to the profile of communities and how this data can be used can shape services to respond to challenges with its partners.

The Council Plan 2020-24 sets out the Council's strategic direction, its vision and priorities until 2024, including how it will provide value for money services, planned work and outcomes, including the work it aims to do with Partners. The Plan focusses on key issues for the district and the 'working in partnership' workstream identifies objectives under the headings;

- driving economic prosperity;
- providing a special place to live;
- enhancing health and wellbeing;
- caring for the environment



# Improving economy, efficiency and effectiveness

Reporting arrangements to monitor delivery of the plan are not mentioned in the plan. However, meeting cover sheets to the Integrated Performance Management reports presented to Cabinet state 'this report provides a combined update on performance, finance and risk and includes results against performance targets to monitor delivery of the new council plan 2020-2024.' hence, there is evidence this is being monitored at some level.

## Commissioning and procurement

The Council has a procurement process which supports to officers undertaking procurement activities. This includes the necessary procurement guidance, templates, and contract register.

Internal Audit also review procurement as part of their Internal Audit programme of work. In accordance with the Constitution, significant procurements must be approved by the Executive Councillor following scrutiny at the relevant committee. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations. No significant issues have been reported by Internal audit .

## Peer review

The Council has been involved in a recent LGA peer review. Although this review was undertaken in October 2022 many of the findings are relevant to the 2021/22 financial year. The tone throughout the report was positive. The Executive summary includes the comment '*the peer team concluded that this is a very impressive council which is clearly focused on delivering for the communities of South Staffordshire.*'

A number of recommendations were made to the council as part of the peer review process. We are satisfied the Council has an action plan in place to ensure recommendations within the peer review are monitored and progressed.

**Overall, we are satisfied the Council has appropriate arrangements in place to secure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.**

# Improving economy, efficiency and effectiveness

## Benchmarking

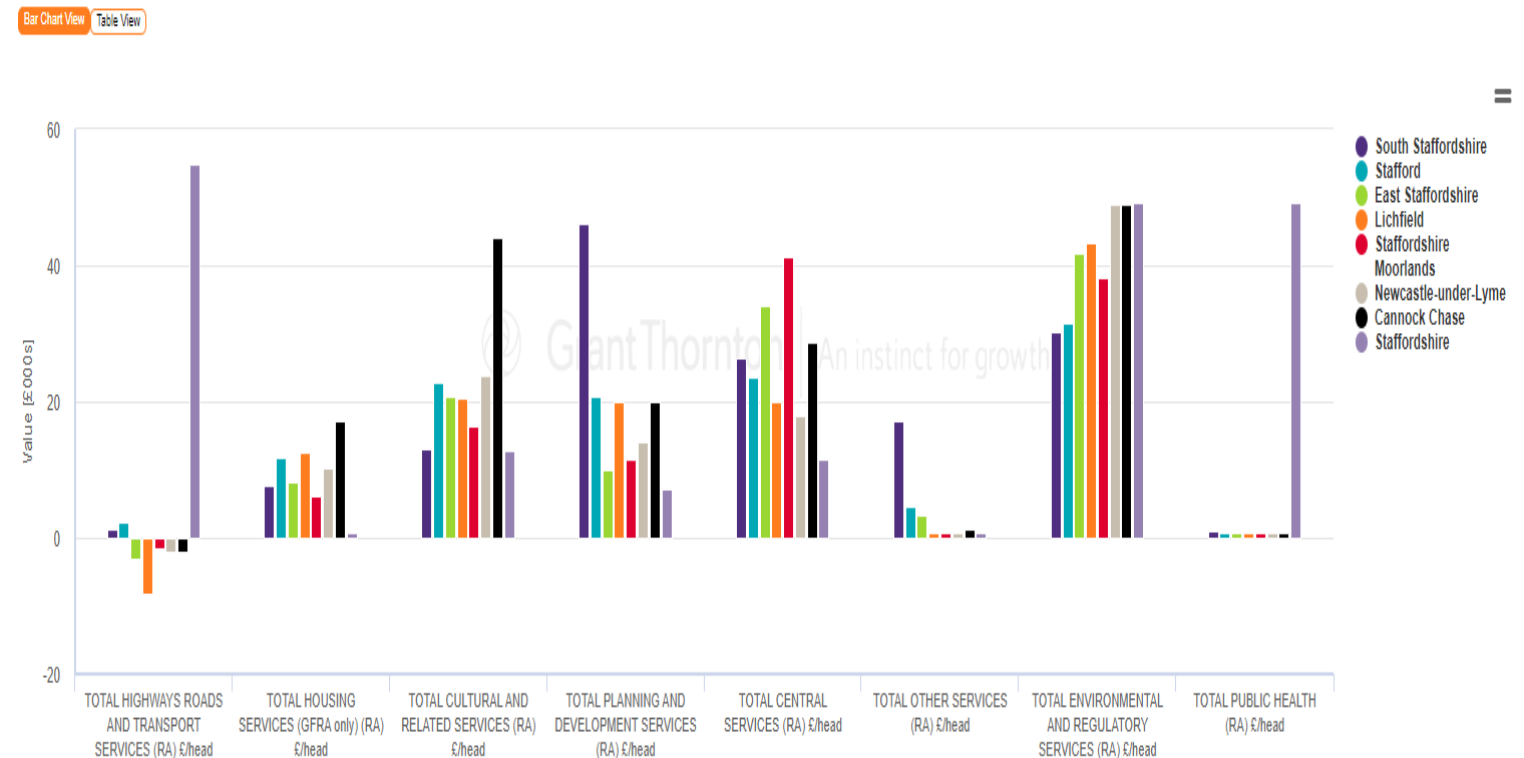
We have completed a benchmarking exercise using our management tool 'CFO insights'. This compares the cost per head for service delivery across a range of services.

Analysis is based on the latest available data, which is the approved budgeted spend (RA data for 2022/23) per 'service line'. We have then associated a unit to the service line to derive a unit cost. These are shown per head of population in the chart opposite compared to near neighbours.

One area where the Council is an outlier compared to near neighbours is that of cost of planning and development services per head. This is something the Council may wish to investigate further.

Overall, however, the Council is an 'average' spending authority per head of population.

Unit Costs Analysis chart - showcasing budgeted spend within each service area, compared against its Nearest Neighbours



# Appendices

# Appendix A – Responsibilities of the Council

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

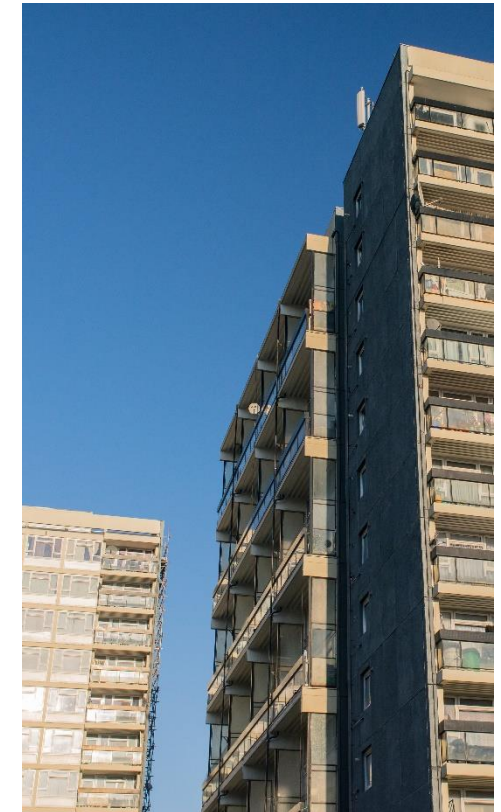
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



# Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Paged 9-10 Pages 14-15

# Appendix C – follow up on prior year recs

Type of recommendation	Recommendation made in 20/21	Management update 21/22	Addressed?	Further action?
Financial Sustainability - Improvement	Provide a clear distinction between controllable and non-controllable spending in the budgetary information to members and ensure it is published on the website.	<p>We find that a clear distinction between controllable and non-controllable elements of many areas of expenditure and income does not exist. Indeed, even the same budget line could be either when set against differing time horizons. An exercise to formally categorise our budget along these lines, and to report accordingly would, in our opinion be time consuming, inconclusive in outcome and if published, not likely to illuminate any wider understanding of budgets.</p> <p>We do however adhere to the underlying principles of the recommendation and the nuances between controllable and uncontrollable spending form part of the continuous discussions at both senior officer and member level towards opportunities to bridge the budget gap. These in turn feed into the established RPP process for future year budget setting.</p>	Yes	N/A – Accept comments made and that this is reviewed on an annual basis.
Financial Sustainability - Improvement	The Council should review the arrangements put in place during the pandemic to determine whether any of these could result in cost savings.	<p>The pandemic presented a range of opportunities for learning across both the local government sector in general and South Staffordshire Council in particular. As one example, the move towards increased remote working (that may have occurred even without the pandemic) has been accelerated. This has, for example, enabled the Council to revisit its requirement for office space within the HUB and increased the capacity for rental income from otherwise underutilised space.</p> <p>The RPP process will continue to examine all opportunities to find appropriate cost savings, whether arising from the pandemic or any other cause, and ensure properly costed and justified options are enacted to help reduce the budget gap and improve sustainability.</p>	Yes	N/A

