



**INTERNAL AUDIT
PROGRESS REPORT**

GEDLING BOROUGH COUNCIL

March 2024

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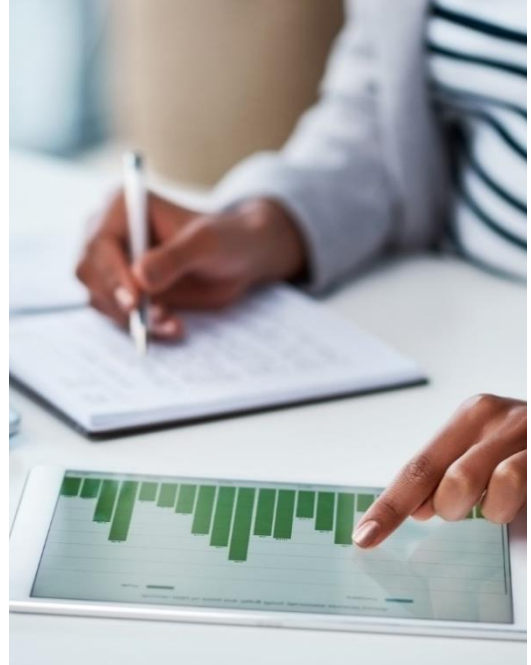
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SUMMARY OF INTERNAL AUDIT WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2023/24 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either 'substantial', 'moderate', 'limited' or 'no'. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2023/24 INTERNAL AUDIT PLAN

We have made good progress in delivering the 2023/24 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- ▶ Generating External Income
- ▶ Community Health and Wellbeing.

Fieldwork has been completed or is in progress in respect of the following reviews which will be presented at future committees:

- ▶ Main Financial Systems
- ▶ Budget Setting and Efficiency Savings
- ▶ GDPR Information and Governance.

REVIEW OF MARCH 2024/24 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Community Health & Wellbeing (with focus on Leisure Services)	March 2024	✓	✓	✓	M	S
Council Tax/NNDR	September 2023	✓	✓	✓	S	S
GDPR Information & Governance	March 2024	✓	✓			
Generating External Income	March 2024	✓	✓	✓	M	M
Governance & Budgetary Assurance Mapping	July 2024	✓	✓			
Health and Safety	December 2023	✓	✓	✓	M	M
Main Financial Systems	July 2024	✓	✓			
Project & Programme Management	December 2023	✓	✓	✓	S	M
Safeguarding	December 2023	✓	✓	✓	L	L



COMMUNITY HEALTH AND WELLBEING

EXECUTIVE SUMMARY

CRR REFERENCE: FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS.



SCOPE

BACKGROUND

- ▶ Nottingham and Nottinghamshire Integrated Care System (ICS) and Partnerships (ICP) came into existence on 1 July 2022, with a remit to improve coordination across the NHS and Local Government and improve community health and wellbeing, as well as reducing health inequalities. The ICS has established the South Nottinghamshire Place-Based Partnership (PBP) which includes other NHS Organisations and local authorities of which Gedling Borough Council (the Council) are a partner.
- ▶ The South Nottinghamshire PBP has set out three key priority areas:
 - To meet the health and wellbeing of its diverse communities.
 - To leverage community assets and build social capital to develop its communities.
 - To work collaboratively with its partners to deliver care and support that meet the needs of the individual.
- ▶ In December 2021, the Council published its Sport & Physical Activity Strategy 2022-25 recognising the financial and community wellbeing impact on physical inactivity within the borough, perpetuated by societal impacts of the Covid-19 pandemic. The strategy identifies the importance of ongoing cooperation with its key partners in the ICS and the Nottinghamshire Health & Wellbeing Board through the Gedling Health and Wellbeing Partnership.
- ▶ The Council have been awarded funding to deliver collaborative programmes in partnership with the PBP. Two programmes have been delivered in 2023, the community development and the falls prevention programme. The Council are currently collaborating with partners on the new Integrated Working Programme developed by the PBP to successfully integrate the neighbourhood with councils, health and social care and voluntary sector organisations.
- ▶ Key to the delivery of health and wellbeing priorities is the Gedling Health and Wellbeing Co-production Partnership, coordinated by the Council. The Council also facilitates other community engagement forums to support the community resilience and wellbeing. The Sport and Physical Activity Strategy outlines how the Council plan to use its assets and facilities to promote increased physical activity across the borough. It manages five leisure centres across the borough.
- ▶ In 2023, the Council created the Playing Pitch and Outdoor Sport Strategy to assess its sports facilities as part of Sport England’s guidance for playing pitch sports. The strategy was presented to Cabinet in November 2023 and prioritises outdoor facilities for future investment to improve these assets. The Council conducted a strategic review of community facilities using Sport England’s Strategic Outcomes Planning Model (SOPM). This informs a new direction for the development of community and leisure facilities across the borough monitoring the achievement of outcomes within local strategies.
- ▶ A review was undertaken in 2023 by the Head of Communities and Leisure to align the Council’s health and wellbeing strategies with other local strategies developed by the PBP and Sport England’s ‘Uniting the Movement Strategy’.

AREAS REVIEWED

We reviewed the following areas during the course of this audit:

- ▶ Reports prepared by the Council and issued to the PBP on the progress and delivery of collaborative projects to assess whether these provided clear updates on the achievement of shared objectives.
- ▶ The minutes of the Health and Wellbeing Co-production Partnership to assess whether the Council effectively reported to and contributed to the discussions on collaborative projects with partners in the PBP.
- ▶ Whether leisure, health and wellbeing key performance indicators (KPIs) were captured and reported internally in alignment to the priorities agreed by the PBP and in the Gedling Plan.
- ▶ Enquired to management about its plans to adopt and implement the recommendations/actions proposed in the Sport and Physical Activity Strategy and the Playing Pitch and Outdoor Strategy, which are critical to provide facilities for members of the public to participate in leisure and sport to improve physical wellbeing
- ▶ Risk management processes for the leisure, health and wellbeing services to ascertain whether these are identified and monitored at a departmental and corporate level.



AREAS OF STRENGTH

During our review, we identified the following areas of good practice:


- ▶ The Council have identified four health and wellbeing KPIs which are monitored within the Gedling Plan 2023-27 performance reports to Cabinet on a quarterly basis. While these do not directly match the PBP's priorities, there was a clear correlation to the priorities to provide meaningful data on its contribution to the wider partnership and ICS objectives.
- ▶ Leisure data for performance reporting is extracted from Gladstone (the leisure management system) which interfaces with Pentana (the corporate performance system) to generate the KPI reports. These provide performance data on the following areas:
 - Number of visits to Leisure Centres.
 - Number of Attendance - Bonington Theatre.
 - Current number of DNA members (leisure membership).
 - Average number of swim school members (12 month rolling period).
- ▶ We reviewed the November 2023 report issued to Cabinet and noted that for each KPI a financial target, year to date performance, KPI owner and the trend compared to previous quarter was reported. Detailed performance reports were also reported to the Portfolio Holder for Lifestyles, Health and Wellbeing fortnightly which contain reporting against further service level KPIs. This supported clear performance reporting to inform decision-making around the use of the Council's leisure facilities.
- ▶ The Council have effective and collaborative programmes in partnership with the PBP Board. Funding has been awarded by Principia Partners in Health and the NHS Nottingham & Nottinghamshire Clinical Commissioning Group to deliver programmes (as the funding was issued before the CCG was replaced by the Integrated Care Board), such as the community development and the falls prevention programmes. During the delivery of these programmes, regular progress reports were issued to the PBP, the Health and Wellbeing Co-Production Partnership, to provide it with updates on the progress.
- ▶ The PBP, which the Council are a partner in, have established an Integrated Working Programme to integrate neighbourhoods with local authorities, health and social care, community groups and voluntary sector organisations. The purpose of this is to promote cooperation with communities to find ways to improve the health and wellbeing of local people. The Head of communities and Leisure presented a report to the PBP in December 2023 to outline the governance arrangements within the Partnership to implement the integrated neighbourhood working within Arnold, Cotgrave, Eastwood and Hucknall.
- ▶ The Leisure Services Team maintain an operational risk register with nine live risks. The risk register provides sufficient detail on the description, mitigating controls, inherent and target risk ratings, and the alignment to the wider corporate objectives for each risk. Each risk also has a risk owner. Risks are evaluated for their significance using a risk matrix, which is in line with the wider corporate risk management processes.
- ▶ The PBP work, pioneered by the Council, on community development has successfully secured medium-term resources through the Integrated Care System and Public Health commissioning. The programme has been expanded from one worker in 2020 to five workers proposed for 2024. This is now fully hosted by lead voluntary sector partners and a committed to align these resources to the Integrated Neighbourhood Working model.
- ▶ The Leisure Services Team review the operational risk register on a quarterly basis and update each risk to reflect the impact/likelihood against any changes. When a risk is deemed high, the Head of Communities and Leisure escalates this to the Corporate Management Team so it is captured on the Corporate Risk Scorecard. In 2023, one risk from the Leisure Services

operational risk register was escalated to the Corporate Risk Scorecard relating to sewage and draining issues at the Carlton Forum Leisure Centre.

- ▶ The Council have sought support for short to medium term investment in local facilities using the UK Shared Prosperity Fund with an allocation for Sport Facilities. Priority projects identified by the strategic work will be assessed against specific criteria before capital allocations are approved. Any decision of allocations to non-Council facilities will require a grant and community use agreement to be established. A revenue allocation has also been established to support future feasibility planning.

 AREAS OF CONCERN	Finding	Recommendation and Management Response
	<p>An external review of the Council’s Playing Pitch and Outdoor Sport Strategy was undertaken by a consultant, Knight, Kavanagh and Page, which identifies priorities for development of outdoor sport provision managed by both the Council and other local providers. Additionally, a separate review by Max Associates to develop a SOPM recommended actions for each of the Council’s leisure centres to enable it to meet its leisure and wellbeing strategies. The Council have not yet developed a costed long-term action plan to address the recommendations, prioritising the proposed actions for capital investment. We appreciate that this scale of investment would not be feasible immediately, however, the Council should consider the urgent actions and the impact that this could have on its strategies (Finding 1 - Medium).</p>	<p><u>Recommendation</u></p> <p>The Council should prioritise the recommended actions from the external reviews and assess whether capital funding will be available for its leisure assets. A formal action plan should be developed with a projected timeline for when urgent actions may be completed. This process should be completed by the Head of Leisure and Communities in cooperation with the Finance Team as part of the 2024/25 budget process.</p> <p><u>Management Response</u></p> <p>Short to medium term funding has been allocated to support some feasibility planning for longer-term development and capital contributions to local facility projects identified through the strategy work that are deliverable during 2023-2025. Further prioritisation of investment needs for outdoor sports provision will take place through the FA’s Gedling Local Football Facility Plan a document that guides future Football Foundation grant applications for which the local Playing Pitch and Outdoor Sports Strategy is a key evidence based. There is a commitment to review the Playing Pitch and Outdoor Sports Strategy Action Plan with Sport England and National Governing Bodies for Sport on an annual basis. An outline business case identifying the needs for longer-term plan leisure centre development has been developed through the SOPM work. To take this further, pre-capital programme feasibility work through the RIBA implementation stages is required to develop specific design plans and a strong business case for capital investment. Any future work will involve Finance colleagues as part of wider project team to support the financial modelling on all options.</p> <p>Target date: December 2024</p>
	<p>The Gedling Health and Wellbeing Partnership terms of reference was not up-to-date and did not reflect the current governance structures. The Council is the secretariat to the group (Finding 2 - Low).</p>	<p><u>Recommendation</u></p> <p>As it is responsible for providing the secretariat to the Health and Wellbeing Partnership, the Council should update the terms of reference to ensure it reflects the current partnership governance structures in place to support the delivery of improved health and wellbeing in the borough.</p> <p><u>Management Response</u></p>




		<p>As the audit has highlighted there is no longer a need for a Gedling Strategic Health and Wellbeing Partnership due to the establishment of a South Notts Placed Based Partnership in 2022. The local partnership terms of reference will be reviewed to reflect the current partnership arrangements.</p> <p>Target date: October 2024</p>
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 <p>CONCLUSION</p>	<p>The Council have adequate controls in place to for the management of community health and wellbeing, with a positive approach to partnership working with other local authorities, charities/volunteer sector organisations and private organisations to deliver shared objectives. The Council led on the Gedling Health and Wellbeing Partnership and contributed to the South Nottinghamshire Place-Based Partnership on specific programmes. For the two projects which have been delivered via an external funding award, there was appropriate reporting to the PBP to ensure it retained oversight of the progress.</p> <p>There are internal strategies in place for the Council to support improved community health and wellbeing, mostly focused on increasing opportunities to participate in physical activity. However, external reviews of the Council’s strategies and facilities have identified that significant investment is required in its leisure facilities to ensure that these remain fit for purpose in the short and long term. Some funding has been claimed from Sport England’s Swimming Pool Support Fund (£127,525) and £300,000 from the UK Shared Prosperity Fund for Sports Facilities has been allocated but an action plan has not yet been developed to identify the longer-term higher priority actions to implement, including budgeting for the capital investment.</p> <p>Therefore, we have concluded that the control design was Moderate and the control effectiveness was Substantial.</p>
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GENERATING EXTERNAL INCOME

EXECUTIVE SUMMARY

CRR REFERENCE: FAILURE TO PREVENT BUDGET OVERHEATING AND FAILURE TO MAINTAIN FINANCIAL INTEGRITY

Design Opinion	 Moderate	Design Effectiveness	 Moderate
Recommendations	 0	 4	 0



SCOPE

BACKGROUND

- ▶ Local authorities receive large proportions of its income through council tax and national non-domestic rates receipts. However, there are other opportunities to generate income through other services provided to the public, grant income from central government and marketing.
- ▶ Gedling Borough Council (the Council) have a draft Corporate Charging Policy that outlines its approach towards charging customers the use of its services. Some fees are aimed at covering the cost of provision however, where there is market competition, fees will be set at a competitive rate. At a minimum, the Council apply a 3-5% uplift on its fees annually, but where the cost of providing the service increase at a higher rate, the fee increase should be commensurate. There are some fees for statutory services that are set nationally. Cabinet is responsible for approving the annual fees. The areas that the Council charge fees for include:
 - Leisure services and facilities
 - Garden waste collection
 - Planning and building control applications
 - Pest removal.
- ▶ Grants are awarded by central government to promote specific schemes, projects, or investment by local authorities. The Council are usually notified of grant opportunities via an email to the Section 151 inbox. These are forwarded onto the relevant service area who would be responsible for delivering the scheme, project or initiative. The Finance Team collaborate with service areas to prepare bids for grants.
- ▶ The Council's Sales and Marketing Officer leads on maximising sponsorship income, with support from the Communications Team who prepare the Council's monthly magazine, with advertising space. Other external income sources include the leasing of a solar farm to a tenant at Gedling Country Park.


AREAS REVIEWED

As part of this audit, we reviewed the following areas:

- ▶ The draft Corporate Charging Policy to ascertain whether the roles and responsibilities of service areas in setting the charges were clearly defined with the Council's commercial approach towards increasing its fees.
- ▶ The assumptions and considerations applied by a selection of service areas when setting fees for 2023/24 to assess whether increases in the costs of providing services were incorporated in the new fee. This focused on Leisure Services, Environmental Services and Building Control.
- ▶ Whether the process and strategic focus of claiming grant income was clearly documented in the External Income Policy. This included an assessment of the Council's arrangements for strategically identifying grant opportunities that align with its Gedling Plan.
- ▶ The Economic Growth Fund grant application for the Hill Crest Park Business Unit Expansion project to ascertain whether there was a clear and strategic approach aligned to the Council's

wider strategic objectives and whether these were clearly outlined in the business case for the grant.

- ▶ Marketing and communications activity and plans to ascertain whether there was a coherent and clear approach for maximising of sponsorship and advertising income.


AREAS OF STRENGTH

The following areas of good practice were identified:

- ▶ For the setting of building control fees and charges an evidence-based approach of the costs to provide the service were taken to ensure that income generated was sufficient to cover the costs. This is in line with the Council’s charging model.
- ▶ The Council has a centralised marketing strategy focused on optimising reach and impact through data analytics. A quarterly marketing report is prepared to enhance oversight of the effectiveness of marketing campaigns and income generation.
- ▶ We reviewed the recent grant application for funding for the D2N2 Local Enterprise Partnership Economic Growth Fund and noted that the project aligned to the Council’s corporate and strategic priorities for economic growth, jobs and low carbon.
- ▶ Reports are prepared on the effectiveness of marketing campaigns, including an analysis of communication channels that reached a wider audience, to inform future marketing strategies. Additionally, the Council publish its advertising and sponsorship opportunities on its website to generate interest, although the projected income for advertising and sponsorship in 2023/24 is £2,750 and £7,385 respectively.



AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>Roles and responsibilities for heads of service for annually reviewing and setting charges are not explicitly defined in the draft Corporate Charging Policy. Additionally, this policy has remained in draft for several years (Finding 1 - Medium).</p>	<p><u>Recommendations</u></p> <ol style="list-style-type: none"> The Council should finalise its Corporate Charging Policy ahead of the 2024/25 financial year, with approval from Cabinet. This should be circulated with the Corporate Management Team (CMT) to ensure the heads of service are clear on the Standard Charge model that they are expected to follow when setting their charges and fees for the upcoming year. A section should be included in the policy to clarify the specific roles of the Finance Team, heads of service and members in the annual review. This could include a timetable for when heads of service should complete their annual review of the charges/fees each year and when these will be approved to ensure they can accurately feed into the budget setting. The draft Corporate Charging Policy should clearly outline the requirement to document the rationale and justification for applying a subsidised fee or charge, and the level of approval for these. The documented justification or rationale for the subsidy should explain why subsidising the service aligns with the objectives in the Gedling Plan and/or the Council’s wider priorities. <p><u>Management Response</u></p> <p>We will complete the draft policy taking into account the recommendations made. Once this is complete, we will carry out training for all heads of service and other officers engaged in setting of fees and charges. Having a dedicated officer responsible for writing Grant Bids is a resource we do not currently have</p>

		<p>budget for, however this will be reviewed by CMT/SLT review and discuss how this can be delivered.</p> <p>Target date: June 2024</p>
	<p>Some service areas applied blanket increases for its discretionary fees and charges of 3-5% without conducting an analysis of the costs associated in providing the service (Finding 2 - Medium).</p>	<p><u>Recommendations</u></p> <ol style="list-style-type: none"> a. In line with Finding 1, the Corporate Charging Policy should be shared with all heads of service once it has been finalised. Heads of service should be clear that the Standard Charge model should apply to fees and charges and that sufficient evidence should be retained of the costs to demonstrate this. Where charges are not increased by the cost of providing the service, a subsidy justification form should be completed and approved by an appropriate officer to explain the rationale, ie changes in demand, market competition, etc. b. As proposed in the draft Corporate Charging Policy, service areas should consider using customer consultation to inform the impact of changes in demand. This should be documented and retained to ensure it can be reported to those responsible for approving the fees and charges increases to inform their decision. c. Service areas should complete a documented process analysing its cost base for each fee and charge, with demand and usage forecasts, to demonstrate clear justification for the setting of fees and charges. The Finance Team should provide support to service areas in providing the cost of service information. d. Trade, garden and bulky waste fees and charges should be published on the Council's website to promote transparency with customers. <p><u>Management Response</u></p> <p>The draft policy will be completed and shared at CMT/SLT training sessions and one on ones with services areas with Finance Business Partners for the next round of Fees and Charges commencing in September 2024. CMT/SLT will discuss and consider customer consultation however this may not be possible for all fees and service due to resources. Some fees & charges i.e. taxi licencing already go through a consultation process. An exercise to carry out zero based budgeting on some areas in PASC & Waste has already been identified and this will commence in the new financial year, as this is a resource intensive process this may have to be scheduled over a period of time but we will look at a timetable and the areas that would benefit from this the most, this will give us better idea of true cost of delivery of service that have fees and charges.</p>

		<p>We will update the fees and charges booklet and publish this on the website.</p> <p>Target date: February 2025</p>
	<p>Staff were unclear on how to conduct market intelligence to support the setting of fees and charges. As such, there was limited market intelligence conducted for the discretionary fees and charges reviewed within our sample (Finding 3 - Medium)</p>	<p><u>Recommendation</u></p> <p>Once the draft Corporate Charging Policy has been finalised (see Recommendation 1a), the Finance Team should set up training sessions for service areas, focusing on those that provide discretionary services, on gathering market intelligence. This should focus on methods to conduct market intelligence.</p> <p><u>Management Response</u></p> <p>Training sessions will be carried out, however Finance will not be the experts on market intelligence gathering for individual service areas, this responsibility needs to remain within the service area as they are best placed to understand how they should gather this. Some services are very small and spending a lot of time on market analysis is not likely to add any benefit if the fees and take up is small. We will focus on the larger areas in the first instance CMT/SLT will consider this and make proposals which will be added to the charging policy.</p> <p>Target date: June 2024</p>
	<p>The External Funding Strategy had not been reviewed since 2019 or implemented leading to staff being unaware that it existed. Processes were not in place for identifying external funding opportunities and strategically submitting bids for applications that align to the Gedling Plan priorities. As such, there were limited central oversight of funding opportunities which were led by service areas, potentially leading to inconsistent processes (Finding 4 - Medium).</p>	<p><u>Recommendations</u></p> <ol style="list-style-type: none"> a. The External Funding Strategy should be reviewed and updated to reflect the Council’s current governance structures and processes. It should then be shared with all staff to ensure they understand their responsibilities and processes for claiming grants. The contents of the current strategy appear reasonable to support a strategic and targeted approach towards claiming grants. b. The Council should establish the Funding Strategy Steering Group, and develop a terms of reference for it, to oversee all grant funding bids. The Fund Strategy Steering Group should be responsible for: <ul style="list-style-type: none"> • Reviewing all business cases for grant funding opportunities and formally approving the application, ensuring that the project outcomes align with the Council’s wider priorities. • Monitoring the central bid register to ascertain whether funding has been previously sought for similar projects. • Identifying cross-departmental cooperation opportunities on bids. • Overseeing the pipeline of future grant opportunities to support a strategic approach to claiming external funding.

		<p>c. The Council should consider whether a role should be created for a Grants Officer to identify external grant funding opportunities, support services areas to write and prepare bids, and to administer grant management process, including the bids register. We recognise that recruiting to this position would have a resource and financial impact on the Council, however, it could enhance the strategic approach to claiming grants.</p> <p><u>Management Response</u> In an ideal situation where budget is not an issue, I would agree that this is the optimal solutions, however, we are a small authority and a dedicated grants/bid officer is likely not possible. CMT/SLT will need to consider this to come up with potential proposals. It is acknowledged that the external grant funding strategy does need to be updated.</p> <p>Target date: September 2024</p>
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CONCLUSION

Overall, there were moderate controls in place to support the generation of external income, including the setting of fees and charges.

We have concluded that there was generally a sound system of internal control designed to achieve system objectives with some exceptions. However, there were some significant gaps identified in the policy framework, such as the Corporate Charging Policy remaining in draft and the lack of a strategic approach towards identifying and bidding for grant income.

As a result of this, there were inconsistent approaches for setting fees and charges taken by different service areas and limited use of market intelligence. Across the leisure services and waste fees and charges, there was a lack of clarity over the cost base for providing the service, potentially resulting in prices being set too low to recover the costs. Broadly, both services increase prices by the 3-5% inflationary rate.

Similarly, despite the External Funding Policy being in place, this was out-dated and the governance structures of an External Funding Steering Group to oversee grant bids was not in place and the bid register was not maintained. The Council also do not have an officer responsible for identifying and supporting to write grant bids, which could lead to a hap-hazard approach to bidding for grants that are not necessarily aligned to the strategic priorities. Although, we noted that there was a sufficiently robust process followed for the recent Hill Crest Park Business Unit Expansion project grant bid through the Local Enterprise Fund, which does align to the ‘Economy’ priority in the Gedling Plan.

There did not appear to be a co-ordinated and strategic approach to generating external income by the Council, with some good practice identified in service areas but not consistently across all services areas. This is a key area for the Council to offset increasing cost pressures, with the risk of “Council to meet its financial commitments in the longer term” identified as a red risk on the Corporate Risk Register.

SECTOR UPDATE

This briefing summarises recent publication and emerging issues relevant to local government that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior management and Members.

SECTION 114 FEAR FOR ALMOST 1 IN 5 COUNCIL LEADERS AND CHIEF EXECUTIVES AFTER CASHLESS AUTUMN STATEMENT

Almost one in five council leaders and chief executives in England surveyed by the Local Government Association think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running.

The LGA estimates that councils in England face a £4 billion funding gap over the next two years just to keep services standing still but last month's Autumn Statement failed to provide the additional funding needed to protect services from further cuts. This is despite councils of all political colours and types warning that growing demand and cost pressures are threatening their financial sustainability.

In 2024/25, councils will be able to increase general council tax by 3% without the need for a referendum. Those with social care responsibilities will again be able to increase the adult social care precept by up to a further 2%. This means that councils continue to face the tough choice about whether to increase council tax bills to bring in desperately needed funding to provide services when they are acutely aware of the significant burden that could place on some households.

The LGA survey - of council leaders and chief executives - also revealed:

- ▶ Half are not confident they will have enough funding to fulfil their legal duties next year (2024/25). This includes the delivery of statutory services.
- ▶ Nearly two thirds of council leaders and chief executives said there were no announcements in the Autumn Statement that they thought would help them deal with their council's financial position.

The LGA said the circumstances that have led to a Section 114 notice so far have been unique to each local area and the pressures they face.

However, all those that have had to curb spending in this way have faced the same underlying pressures - councils' core spending power falling by 27 per cent in real terms from 2010/11 to 2023/24, the impact of the pandemic, rising demand for services, in particular statutory services like social care and homelessness support, and the extra costs to provide them.

[Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement | Local Government Association](#)

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

BEST VALUE STANDARDS AND INTERVENTIONS

A refresh of the oversight framework seeks to improve clarity around how councils deliver and evaluate services, the Local Government Association has said. In its second consultation on the framework, the LGA said there is no single document that outlines all the elements of council assurance and how they all fit together.

The LGA said creating this single document would increase clarity and transparency within the sector, and improve understanding of how assurance and oversight works. The consultation is seeking views on the principles of assurance and accountability, including performance monitoring against local targets, good quality data and clarity over the responsibilities of officers and councillors.

Abi Brown, chairman of the LGA's Improvement and Innovation Board, said: "Feedback from our initial engagement was really helpful, and has helped us to extend our mapping of the improvement and assurance framework for local government, which hasn't previously been written down anywhere.

"We are taking on board all comments received and now want to follow up with some more detailed questions about how the current framework can be improved.

"It's important we hear the views of all councils, partners and all other stakeholders and I encourage everyone to engage with us, for the benefit of the whole of local government and the wider public."

<https://www.publicfinance.co.uk/news/2023/11/council-performance-reviews-get-refresh>

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

PRODUCTIVITY PLANNING FOR LOCAL AUTHORITIES

Local authorities will be required to develop productivity plans to be submitted to the Department for Levelling Up, Housing and Communities (DLUHC), to be published by July 2024. These will be reviewed and assessed by a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.

The productivity plans should cover four key areas:

- ▶ Transformation of services to make better use of resources.
- ▶ Opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design.
- ▶ Ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff equality, diversity and inclusion programmes.
- ▶ Barriers preventing activity that government can help to reduce or remove.

These plans must be agreed by council leaders and members and be published on local authority websites, with updates on progress made against the plans.

<https://www.gov.uk/government/news/council-funding-package-confirmed>

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

INSTITUTE FOR GOVERNMENT CALLS FOR FIVE-YEAR SPENDING REVIEWS

Setting five-year spending reviews (instead of the regular three) that are assessed every three years will give departments more predictable funding and enable more efficient use of public money, an IfG report said.

Researchers said this would allow the government to set budget allocations for the same duration as its main fiscal rule, to show debt falling in the final year of a five-year rolling forecast, improving credibility by preventing ministers from pencilling in “unrealistic” low spending increases in the later years of the forecast.

They said any spending review should also be set at least a year before allocations end to avoid funding cliff edges.

“We need to re-establish the norm of setting long-term spending plans that stand the test of time and move fiscal policymaking from short-term tinkering to be more long-term and strategic,” an IfG spokesperson said.

“Cliff-edges should be eliminated by reviewing and extending spending plans before they expire.

“To achieve this, the chancellor should commit to a new regular cycle of spending reviews covering five years, to be reviewed and extended every three, as part of a wider package of reforms to the fiscal framework.”

The think-tank has joined a growing number of organisations to raise concerns about potential pre-election tax cuts, offset (in terms of the fiscal rule) by real-terms cuts to departmental spending from 2025-26 that will be “impossible” without reducing the quality and quantity of public services.

<https://www.publicfinance.co.uk/news/2024/03/ifg-calls-five-year-spending-reviews>

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

SPRING BUDGET ANNOUNCEMENT: IMPACT ON LOCAL GOVERNMENT

The Chancellor announced the Spring Budget on 6 March 2023. We have summarised some of the key announcement impacting local authorities.

Sector Wide

- ▶ New plans for public sector productivity will deliver up to £1.8bn worth of benefits by 2029. According to the Office for Budget Responsibility, returning to levels of pre-pandemic productivity could save £20bn a year across the public sector.
- ▶ Local authorities have already been asked to produce productivity plans by July 2024 setting out how they will improve service performance, utilise data and technology, and reduce wasteful spend.

Devolution and Regeneration

- ▶ A trailblazer devolution deal for the Northeast and three county devolution agreements for Warwickshire, Buckinghamshire and Surrey. These agreements should bring powers closer to communities.
- ▶ The government has announced further details on Investment Zones in Greater Manchester, Liverpool City Region, Northeast of England, South Yorkshire, West Midlands and West Yorkshire. The government has also confirmed that the Tees Valley Investment Zone will focus on the digital and creative sectors.
- ▶ The government is announcing £400m of investment to extend the Long-Term Plan for Towns to a further 20 places across the UK.

Other Specific Measures





- ▶ Household Support Fund Extension - The government is providing an additional £500m (including Barnett impact) to enable the extension of the Household Support Fund in England from April to September 2024.
- ▶ Expanding counter fraud capability through deploying AI - The government has announced £34m to expand the Public Sector Fraud Authority by deploying AI to help combat fraud across the public sector.
- ▶ The government will provide £45m match funding to local authorities to build an additional 200 open children's home placements and £120m to fund the maintenance of the existing secure children's home estate.
- ▶ Digital Planning - A new pilot will use AI to help speed up development of local plans. In addition, new software will be explored to streamline key processes for planning officers.
- ▶ Allowing local authorities further flexibility in their use of Right to Buy receipts. The government will increase the cap from 40% to 50% on the percentage of the cost of a replacement home that can be funded from Right to Buy receipts.

<https://www.bdo.co.uk/en-gb/microsites/budget-spring-budget-2024>

FOR INFORMATION





For the Audit Committee Members and Senior Leadership Team

KEY PERFORMANCE INDICATORS

QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner and/or Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	
Quality of Work	Three survey responses have been received in 23/24, with an average score of 4.7/5 for the value added by the audit and the overall audit experience. We will continue to send surveys out to officers with final report.	
Completion of audit plan	The Internal Audit Plan for 23/24 is progressing well, with all fieldwork expected to be complete by the end of March 2024. We have also completed the planning process for the 24/25 Internal Audit Plan which is being presented to this committee.	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE

High



A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.

Medium



A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.

Low



Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



FOR MORE INFORMATION:

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