

Leicester City Council

Auditor's Annual Report for the
year ended 31 March 2024

January 2025 – Final



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Leicester City Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

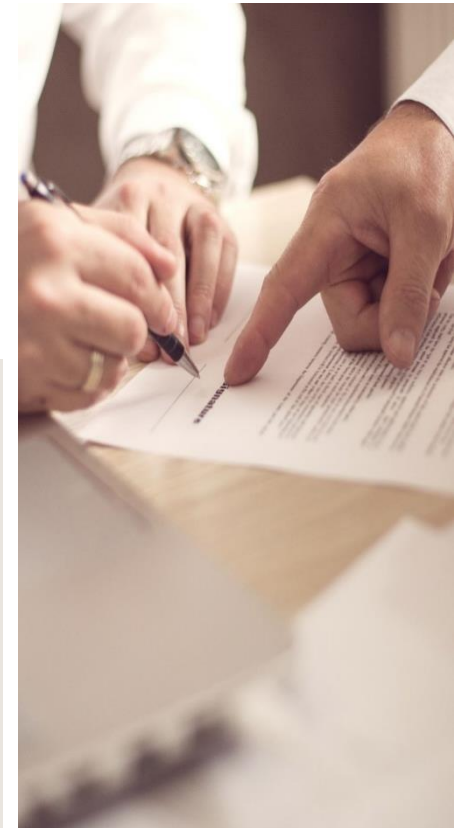
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

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. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 28.

Financial sustainability

The Council has a structured organisational approach to financial planning. However, there is a significant weakness in the Council's arrangements for financial sustainability as previously reported in the 2022-23 Annual Auditors Report (presented to Governance & Audit Committee in April 2024). In that report we highlighted that the Council themselves have accepted there is a serious risk that it would struggle to balance its 2025/26 budget having used up the majority of its reserves balancing its 2023/24 and 2024/25 budgets. Following this report the 2023/24 outturn was finalised and an underspend of £1.7m was reported. When setting the 2024/25 budget it was balanced only through the use of £61m reserves, including £7m of the £15m Emergency reserve fund. Indeed, due to a number of cost pressures, the medium-term financial outlook is the most severe the Council has ever known. At the point of setting the 24/25 budget the Council faced the real probability of not being able to balance their budget in 2025/26, necessitating the issue of a formal report under section 114 of the Local Government Finance Act 1988.

Progress has been made to avert this and the Council is currently in the process of finalising a 3-year financial plan which was published on 11th December 2024 before it was then embedded in the formal Council budget approval process ultimately leading to approval at Council in February 2025. The 3-year financial Plan delivers a balanced budget over the 3-year period but does so only via a combination of savings delivery and, one-off measures such as use of Capital receipts to fund revenue spend, under a capitalisation directive, and the use of a reserve earmarked for capital use to offset the ongoing funding gaps. This reserve is made up of one-off revenue monies set aside in previous years so can be used for revenue purposes. We note that the use of this reserve will necessitate the Council to utilise external borrowing to fund the capital plan. The Council is seeking to mitigate the impact of this on the revenue budget through the delivery of savings. This highlights that all areas of the 3-year year plan need to be delivered in unison to ensure that they have the desired impact on the Council's financial sustainability.

At the end of the 3-year period in 2027/28 there will remain a significant structural deficit for the Council to have to manage. If the 3-year plan is not delivered the Council is likely to be in a position of having to issue a s114 notice (effective bankruptcy). Given where the Council is in the budgeting/planning cycle and given the structural deficit baked into the Council's medium term financial plans, at this point we can only roll forward our key recommendation from last year's report (see p. 16). We include further detail on pages 13-17.

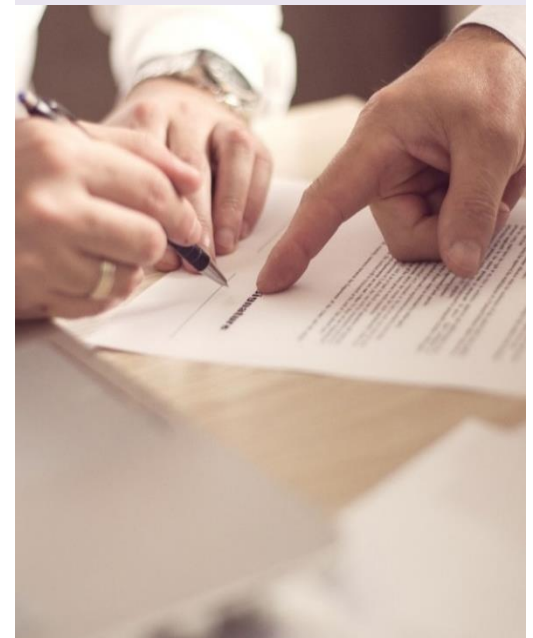
Governance

The Council has strong governance arrangements, backed by a robust internal control system and a comprehensive risk management process. The internal audit opinion for 2023/24 concluded with a reasonable assurance audit opinion, on the adequacy and effectiveness of the Council's internal framework. However, was unable to provide assurance on key ICT controls. This is a result of a major cyber incident in early March leading to minor delays in advancing a few audits.

Upon thorough review and consideration of our areas of focus and evidence, we have not identified any significant weaknesses in the Council's arrangements to ensure financial sustainability. However, we have noted three areas for improvement, specifically in relation to the cyber security incident, consistency of information in the Council's Risk Register and appointing an additional member to the Governance and Audit Committee. As such, we have raised three improvement recommendations, with two of these being brought forward from last year.



We have substantially completed our audit of your financial statements and expect to issue an unqualified audit opinion in January 2025, following the Audit Committee meeting on 29 January 2025. Our findings are set out in further detail on pages 9 to 11.



Executive summary



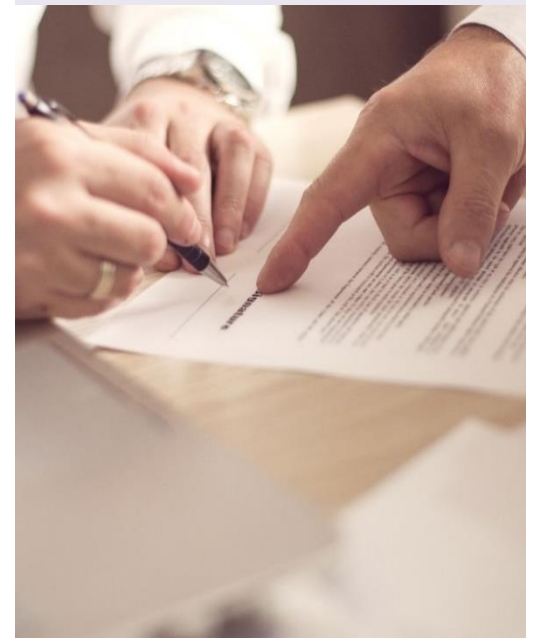
Improving economy, efficiency and effectiveness

The Council is mostly effective in its arrangements to deliver improving economy, efficiency and effectiveness. It has a well-defined Council Plan supported by strong principles and works collaboratively with various regional organisations. Furthermore, it has a strong procurement function and is in the process of enhancing corporate reporting to enhance transparency and accountability in performance monitoring.

After examination of our areas of focus and gathered evidence, we have not identified any significant weaknesses in the Council's arrangements for managing and improving economy, efficiency, and effectiveness. However, we have noted an area for improvement, which has been brought forward from last year with regards to the setting of KPIs for each service area with stretch targets.



We have substantially completed our audit of your financial statements and expect to issue an unqualified audit opinion in January 2025, following the Audit Committee meeting on 29 January 2025. Our findings are set out in further detail on pages 9 to 11.



Executive summary



Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Significant weakness identified and one key recommendation raised.	R	Significant weakness remains and one key recommendation raised.	↔
Governance	A	No significant weaknesses in the arrangements reviewed. Three minor improvement recommendations were made.	A	We have made three improvement recommendation covering three separate areas of the Council's governance arrangements. These are; in relation to the Cyber Security attack, the consistency of information in the Council's Risk Register and the appointment of an additional independent member to the Governance and Audit Committee.	↔
Improving economy, efficiency and effectiveness	A	No significant weaknesses in the arrangements reviewed. One minor improvement recommendation was made.	A	We have made one improvement recommendation related to the setting of KPI's for each service area with stretch targets.	↔

- 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.

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



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 2024 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

The Council provided draft accounts in line with the national deadline.

Our work on the Council's 2023/24 financial statements is in progress and we intend to issue an audit opinion in February 2025.



Use of auditor's powers

We bring the following matters to your attention:

We do not currently anticipate:

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.

- making 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.

- issuing 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.

- making 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.

- issuing 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.

- making an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on Councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for Council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of Council income that were needed to service the increase in demand, for example fees and charges and the collection rates for Council tax, business rates and rents. In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven Councils issuing eleven section 114 notices between 2019 and 2023, compared with two Councils issuing notices between 2001 and 2018, with an increasing number of other Councils publicly warning of a section 114 risk;
- Twenty Councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these Councils had previously issued a section 114 notice; and
- The Local Government Association warning that Councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend. The Budget on 30 October 2024 has not delivered any further certainty of funding for the Local Government sector, beyond some additional funding for specific pressure areas of social care and housing/homelessness. The distribution of the funding is yet to be determined.



Local context

Leicester City Council is a unitary authority in the East Midlands, consisting of 54 Councillors, representing 21 wards in the city, overseen by a directly elected mayor. It is currently controlled by the Labour Party and has been led by mayor Sir Peter Soulsby since 2011 (Appendix A1 summarises the Mayoral model). The Council also appoints a ceremonial Lord Mayor who chairs Council meetings; the directly elected mayor is termed the City Mayor to distinguish the post from the Lord Mayor. As a unitary authority, the Council is responsible for running nearly all local services in Leicester with the exception of the Leicestershire Fire and Rescue Service and Leicestershire Constabulary. These are run by joint boards of the city Council with Leicestershire County Council and Rutland County Council.

Leicester is the largest city in the East Midlands. Leicester City Council employs more than 11,000 staff, who are responsible for delivering services to a diverse range of customers. The greater Leicester urban area had a population of 559,017 in 2021, making it the 11th most populous in England, and the 13th most populous in the United Kingdom. In 2023, Leicester was named as the best place to live and work in the East Midlands.



Financial sustainability

Financial sustainability

We considered how the Council:

Commentary on arrangements

Assessment



Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

The Council is facing significant challenges in both delivering its 2025-26 budget and the subsequent years of its medium-term financial plan. There is serious risk that the Council may have to issue a s114 notice (effective bankruptcy) in the period and our report last year highlighted this fact. The 2024/25 budget set by the Council identified the need to utilise £61m from reserves, in excess of the reserves available at the point of setting the budget and requiring use of £7.1m of the Emergency Balance held. Work has been ongoing during 2024/25 to develop a sustainable plan for reducing the financial gap for the 2025/26 financial year and rebuilding the Council's reserves balances and the Council is in the process of finalising a 3-year Financial Plan which it published on 11th December 2024 before seeking Council approval in February 2025 as part of the 2025/26 budget planning round. The plan has 5 key elements, including the reduction in costs of Adult social care (ASC), re-purposing of Capital reserves to Revenue, reduction in the Capital programme and sale of assets being the main routes to financial sustainability in the period. The fifth strand of the plan is the identification and delivery of revenue savings. It is critical that the Council identify and validate these savings rapidly to support delivery of the plan. All these strands will be critical in balancing the Council's budget over the medium term.

We have reviewed an emerging draft of the 3-year plan and while it is realistic and includes a number of prudent assumptions and balances the budget over the 3-year period to the end of FY 2027/28, it does not address the longer term financial sustainability challenge. To achieve a balanced budget over the 3-year period, it is contingent upon a number of one-off items which are not recurrent, alongside £23m of savings to be delivered per year. This includes the one-off use of £100m of revenue monies set aside in reserves to support capital activity, along with the use of £60m capital receipts from asset sales to support revenue spend. We do support this approach as it is a prudent approach for the 3-year period in the circumstances but remind the Council that the approach merely delays the problem for another year or two, it does not address the issue of the structural deficit which exists. Continually mounting pressures in Adult Social Care (ASC) and Children's Social Care (CSC) demand and, in particular, the impact of homelessness on the Council means that the Council will continue to struggle to contain costs within their resource allocation. We are satisfied that the Council is identifying all the financial pressures and including these in its financial plans. However, given its low level of reserves, there is no doubt that the financial plans leave the Council in a precarious position to deal with any additional financial pressures which emerge. The need to identify and agree savings to support the delivery of the 3-year plan is critical and while we acknowledge the plans in place, typically plans like this take time to deliver so it is continued identification of savings and focused delivery of these plans which will determine whether the Council is able to remain financially sustainable in the medium term

Given the Council has yet to formally agree the 3-year plan and given the mounting financial pressures as outlined above (ASC, CSC, Homelessness), we propose to roll forward the key recommendation from the 2022-23 AAR into this year (see p. 16 for detail).

Plans to bridge its funding gaps and identifies achievable savings

The Council's 3-year plan proposes a credible and prudent approach to managing the Council's costs within its funding envelope. The identification and delivery of the savings included within that plan are challenging but critical. They also include a number of one-off mechanisms such as the use of Capital receipts to fund revenue spend and use of reserves. This approach appears to allow the Council to balance its budget up to the end of the 3-year Financial plan period (ie. by end 2027/28) but it does not address the structural deficit which clearly exists. The financial challenges facing the Council are significant and it will be critical that the Council takes the difficult decisions required in a timely manner to allow them sufficient time to deliver in the medium term. This will involve making potentially unpopular decisions regarding discretionary expenditure. We therefore re-iterate our key recommendation from the 2022-23 audit report (see p.16).

Notwithstanding the longer term financial sustainability issues, it will be important for the Council, in the short term, to develop a robust mechanism to track and report on the achievement of the savings targets on a regular basis. Whilst the Council has established an internal officer group called the Financial Sustainability Board (FSB) and carries out this function informally. We would advise that the Council establishes processes and mechanisms for formal tracking and monitoring of savings identification and delivery. These mechanisms should formally report into appropriate Member forums on at least a quarterly basis at least on progress made in the identification and delivery of savings. We have raised an improvement recommendation to reflect this (see p.17).

R

A

- 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.

Financial sustainability (continued)



We considered how the Council:

Commentary on arrangements

Assessment

<p>Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>There is little doubt that the Council has accepted and is facing up to the financial challenges in the medium and long term and this has had a bearing on the strategic objectives and direction of the Council. The senior leadership team has worked very closely with the City Mayor in identifying the 3-year plan though ultimately it is the Mayor's responsibility to agree and sign off on the plan. The Council's focus has been on plugging financial gaps and ensuring it is financially sustainable. This close working with the Mayor and his team and the involvement in the process of all Strategic directors of services has ensured there is close alignment with the Council's strategic priorities albeit the major strategic objective has been to ensure financial sustainability over the next 3 years.</p>	<p>G</p>
<p>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</p>	<p>The Council operates with a system that aligns the key elements of financial planning. Directors of services have had significant input to the development of the 3-year financial plan. In particular, the Strategic Director of Adults and Children's has made major contributions to the plan through reviewing operational procedures and relationships with health partners to improve care packages and reduce costs. Increasing homelessness cost being incurred by the Council as a result of growing numbers of Asylum Seekers have been mitigated through cross-departmental working to find solutions to provide temporary accommodation. Despite these mitigating actions there remains an overspend in this area.</p> <p>The Council's Capital programme for 2023/24 totalled £304.7m with spend for the year £138m. During the year many capital projects experienced delays in progress and increased costs. This has been attributable to instability in the construction industry, limited contractor capacity and continued inflationary pressures due to the current uncertain economic climate. The Council's Capital programme for 2024/25 is £236.3m which has been developed in conjunction with services. We will monitor delivery as part of our ongoing value for money work</p> <p>The Council is engaging in a redesign of services in ASC and CSC to favourably impact financial planning in the medium term with examples being the introduction of permanent qualified Social Workers from abroad leading to reduced requirement for costly Agency staff as well as the establishment of two new Council owned Children's homes which is saving the considerable cost of having to outsource this function to the private sector (10k per month for Council owned home v £34.5k+ per month for private sector option). We are therefore satisfied that the financial planning process considers other plans such as capital, ASC, CSC and staffing.</p>	<p>G</p>
<p>Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>The Council has been clear in its identification of financial risk. These were reported via the Budget monitoring process during the 2023/24 and 2024/25 financial year to date. The major financial risk has been in view to members for some time now, namely the financial sustainability of the Council over the medium term and members have been left in no doubt about the potential threat to the Council of having to issue a s114 notice.</p> <p>Each budget monitoring report has a summary of the key financial pressures and clearly highlights the emerging risks to the longer term financial sustainability of the Council along with the measures being taken and the savings being identified to mitigate the pressures. The reports include the assumptions the Council has been working to plus year end forecasts of expenditure and the latest measures being taken to increase savings, manage costs down and address any demand pressures. The Council is aware of the pressure on its General Fund reserves and the impact this has on financial sustainability but is not currently in a position to develop a credible plan for the replenishment of these reserves. There is an expectation that the Council will have to, at some point in the 3-year period, approach MHCLG for Exceptional Financial Support (EFS). As part of this process it will be critical that the Council has demonstrated it has reviewed all potential options including stopping discretionary spend. There is no doubt that the Council's reserves position is precarious and reserves are at a level where any additional financial pressures which were unforeseen could prove to be a serious issue for the Council. Hence we have re-iterated our key recommendation from last year (see p.16)</p>	<p>R</p>

Financial sustainability (continued)



Significant weaknesses identified in Financial Sustainability arrangements

Medium-term financial challenge to close the budget gap

The Council is facing significant financial pressures which have been building over the past 2 or 3 years. The 2024/25 budget was balanced only by the use of £61m reserves including £7m of the £15m Emergency reserve fund. Indeed, due to a number of cost pressures, the medium-term financial outlook is the most severe the Council has ever known. Like many authorities, they are facing significant challenges in balancing their budget in 2025/26, necessitating a formal report under section 114 of the Local Government Finance Act 1988. The Council has recognised the challenge and has developed a 3-year financial plan with the aim of both balancing its finances in the medium term and at the same time buying itself time to deliver more structural changes which will ensure its financial sustainability in the longer term. The 3-year financial plan has been published on 11th December 2024 and, once agreed, will form part of the 2025-26 budget submission to be signed off in February 2025.

We have reviewed an emerging draft of the 3-year plan and while it is realistic and includes a number of prudent assumptions and balances the budget over the 3-year period to the end of FY 2027/28, it does not address the longer term financial sustainability challenge as, in order to achieve a balanced budget over the 3-year period, it includes a number of one-off items which are not recurrent, including the use of revenue monies in reserves earmarked for capital activity and the use of capital receipts from asset sales to support revenue spend. This approach merely delays the problem for another year or two, it does not address the issue of the structural deficit which exists. Continually mounting pressures in ASC and CSC demand and, in particular, the impact of homelessness on the Council means that the Council will struggle to contain costs within their resource allocation beyond that 3-year time horizon and there will be a significant risk of having to apply for a s114 Notice.

Given the Council has yet to formally agree the 3-year plan and given the mounting financial pressures as outlined above (ASC, CSC, Homelessness), we propose to roll forward the key recommendation from the 2022-23 report into this year (see below) though in doing so we acknowledge the steps being taken to address the challenges.

Key recommendation 1 : The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:

- The identification and delivery of savings that reduce the indicative budget gap in 2025/26 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic.
- Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves)
- Considering how and when a credible plan can be developed for the rebuilding the reserves balance to ensure it can be replenished to provide financial security and cushioning in the future
- Difficult decisions are likely to be required in future budgets. The Council should therefore ensure that:
 - its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend,
 - where discretionary spend continues this spend can be managed within the available financial envelope whilst ensuring that statutory duties continue to be met, and
 - If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders

Financial sustainability (continued)



Areas for improvement

Formal mechanism for monitoring and reporting on financial savings

The Council is developing a number of projects which will deliver financial savings and contribute to ensuring the financial sustainability of the organisation in the medium to long term. Currently these savings are monitored via a savings tracker which is discussed on an informal basis via the internal officer group of the Financial Sustainability Board (FSB). The Council should formalise its processes and mechanisms for the tracking and monitoring of savings identification and delivery. This should facilitate regular and timely reporting into OSC, ensuring visibility and proper challenge of all savings delivery

Improvement recommendation 1: Implementation of a formal savings monitoring and reporting mechanism.

The Council should implement more formal governance processes and mechanisms for tracking, challenging and reporting on the financial savings required to balance the MTFS.



Governance

Governance



We considered how the Council:

Commentary on arrangements

Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has established procedures to identify strategic risks, comprehend their nature, document them within the risk management system, and evaluate them, ensuring effective governance and risk management. In March 2024, the Risk Management and Business Continuity Policy Statements and Strategies were presented to the Governance and Audit Committee. These policies provide a framework for managing risks, supporting strategic priorities, and ensuring service continuity. The Risk Management Policy outlines the risk management process, including assessment, monitoring, and immediate action for risks scoring higher than 15. The Committee's responsibilities include approving the risk management and business continuity policies, reviewing reports on current and emerging risks, and monitoring insurance arrangements.

The Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Council's internal framework. However, Internal Audit were unable to provide assurance on key ICT controls. In March 2024, the Council experienced a major cyber security incident, which resulted in the Council shutting down its IT networks and significant disruption to systems and processes. This led to minor delays in advancing a few audits, including a scheduled audit of key ICT controls. This audit, which included a follow-up on the cyber security audit from 2022-23, was unable to proceed due to the cyber incident. Consequently, Internal Audit could not provide assurance regarding material risk exposure. We do note that the Council was part of the Future Councils pilot cohort making digital and cyber improvements to the organisation.

In response to the cyber security attack, our Cyber & Digital Investigations specialists undertook a detailed review of the breach to assess the risk posed to the Council and inform our value for money work. This review included an assessment of the likelihood and size of any fine from the Information Commissioners Office (ICO), any ongoing risk to the financial systems or integrity of financial data and the potential for legal action and/or commercial sanctions to be taken against the Council. Our review has concluded that the risk that the Council is exposed to is minimal and any legal action will not be material. We also note that the ICO have formally closed their investigation with regards to the incident and therefore the Council is not exposed to the risk of a fine. Notwithstanding this, during 2023/24 the Council's arrangements for mitigating the impact of a cyber-security incident were not at the level required due to isolated human error. We note that the Council have taken action to strengthen these arrangements but we raise an improvement recommendation in relation to the weaknesses in place during 2023/24.

Furthermore, we note that, effective 1 August 2024 the Council has appointed Veritau Public Sector Ltd as its new internal audit provider. Veritau implemented an "opinion framework" to recognise, prioritise and coordinate the execution of internal audit services.

We note from our work that the Council has yet to address the improvement recommendation raised in our 2022/23 report with regards to the consistency of information in the Risk Register. On that basis we have rolled forward this improvement recommendation for the Council to address.

A

Approaches and carries out its annual budget setting process

The Council has a robust budget setting process. The 2025/26 budget process is based on the three-year plan detailed in the financial sustainability section of this report. This includes budget savings targets for departments to identify and deliver in 2025/26. Directors are aware of these targets and are proactively looking at options to deliver against them. At the same time as identifying savings the Council has been trying to manage costs down by aiming to constrain growth in ASC and CSC.

G

Governance (continued)



We considered how the Council:	Commentary on arrangements	Assessment
<p>Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The Council's quarterly budget monitoring reports provide OSC with a clear understanding of the Council's financial position, as well as forecasts for the year-end. The minutes of the OSC meetings indicate that discussions and challenges focused on the areas of greatest variance, demonstrating a clear understanding of the areas requiring management and Member attention. Corrective action is taken where needed. Monthly budget reports are produced to ensure that budget holders are aware of financial performance.</p> <p>The Council is working with MHCLG (Ministry of Housing, Communities and Local Government) to agree alternative approaches to managing the budget and specifically is seeking a capitalisation directive to allow it to use capital receipts to support revenue. The Council also plans to re-purpose capital reserves as Revenue reserves so they can be used to manage the shortfall moving forward. These are one-off measures and, as indicated in our key recommendation in the Financial Sustainability section of this report, the Council will need consider how reserves can be replenished in the future to support financial sustainability.</p>	G
<p>Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>Officers regularly brief key council members to ensure active information sharing and discussions about critical issues and risks. Efforts to improve governance understanding, including skill development and procedural enhancements, have been ongoing.</p> <p>The Audit Committee at Leicester City Council is composed of seven councillors and one independent member, whom has attended meetings since September 2022. We have rolled over the recommendation from last year for the Council to consider the merits of appointing an additional appropriately qualified independent member to the Governance and Audit Committee.</p> <p>The Committee is responsible for reviewing fraud risks, monitoring the counter-fraud strategy, and providing independent scrutiny of the authority's financial and non-financial performance to minimise risk. The Council has ensured the separation of executive roles and the membership of the audit committee in line with CIPFA guidance. The committee met six times during 2023/24 and was well attended. This exceeded the recommended minimum of four meetings per year. Also, this is included in Leicester City Council's requirements in its Terms of Reference.</p>	A
<p>Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.</p>	<p>The Council has an approved Local Code of Corporate Governance based on seven core principles from the International Framework: Good Governance in the Public Sector. The Council ensures openness and comprehensive stakeholder engagement through various means, such as open meetings, published executive decisions, scrutiny of projects, public engagement, and use of social media. Additionally, the Council operates with 13 committees subject to political balance, with the current political balance being 57.41% Labour, 31.48% Conservative, 5.56% Green, and 5.56% Liberal Democrat, following full elections on 4th May 2023.</p>	G

Governance (continued)



Areas for improvement

Major Cyber Security Incident – March 2024

In March 2024, Leicester City Council experienced a major cyber security incident, which resulted in the Council shutting down its IT networks and significant disruption to systems and processes. It is noted from our detailed review into this issue that there are controls relating to cyber-security systems that the Council needs to improve. Therefore, we raise an improvement recommendation for the Council to take appropriate actions to mitigate the risk of future cyber-security incidents. In raising this recommendation we note that the Council has already taken significant actions to increase its resilience in this area.

Given we have confirmation from our internal Cyber and Digital Investigations team that the Information Commissioner's Office already closed their investigation and have spoken with the Council their response to the incident and ongoing monitoring activities, we are providing an improvement recommendation relating to the arrangements in place during 2023/24.

Improvement recommendation 2: Cyber Security Incident

The Council should ensure that actions taken following the cyber-security incident are embedded within the Council and cyber-security remains core to the Council's operations to reduce the risk of a future cyber-security incident.

Improvement required in the consistency of information in the Council's Risk Register

At March 2024, there were 26 strategic risks on the Corporate Risk Register, however there were some inconsistencies on the Risk register which implies that the risk Register needs a more in-depth review by the Corporate Management Team (CMT) as part of their quarterly review.

Given the Council has yet to adjust this in 2024, we propose to roll forward the improvement recommendation from the 2022/23 report into this year, though in doing so we acknowledge this is to be adjusted for the first round of reporting in 2025 and will include a summary of the key risk control actions for each strategic risk.

Improvement recommendation 3: Consistency of information in the Council's Risk Register.

The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date through better triangulation with other information to remove inconsistencies in scoring and understanding of the risks around Council's operations so that risk management becomes more embedded as a useful tool in the Council.

Governance (continued)



Areas for improvement

Appointing an additional independent member to the Governance & Audit Committee.

The Council should consider the merits of appointing an additional independent member of the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.

This recommendation was raised in our 2022/23 report, presented in April 2024 and we note that the Council has yet to formally consider the appointment of a second independent member, we propose to roll forward the improvement recommendation, though in doing so we acknowledge the Council will look at options for filling this position in 2025 and the terms of reference allow for this.

Improvement recommendation 4: Appointing an additional independent member to the Governance & Audit Committee.

We recommend that the Council consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.



**Improving economy, efficiency
and effectiveness**

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

Uses financial and performance information to assess performance to identify areas for improvement

The Council oversees risk management and performance through a combination of internal and external audits, regular spending reports, and annual reviews of governance and risk management strategies. The Governance & Audit Committee supervises the Council's financial management arrangements to ensure operational soundness. In addition, the Scrutiny Committees are responsible for evaluating policies and practices, as well as questioning the performance and decisions of the City Mayor, Executive, Committees, and Council Officers. The Council maintains robust risk management and performance through various methods, including internal and external audits, information governance, and regular spending reports. It also conducts annual reviews of corporate governance, risk management strategy, and an assurance framework to monitor and assess strategic and operational risks.

The Council defines outcomes in terms of sustainable economic, social and environmental benefits through the City Mayor's strategic vision which contain a number of key pledges and which have been regularly scrutinised:

- A Fair City
- Homes for All
- Connecting Leicester
- Sustainable Leicester
- Health & Care
- Lifelong Learning
- A City to Enjoy
- A Safe and Inclusive Leicester

Some of the key outcomes from the Mayor's pledges in 2023/24 have been:

- Continued improvement in transport infrastructure through the Connecting Leicester programme;
- Investment in Council housing; and
- Planned investment of £45m to address the homelessness crisis and pressures on temporary accommodation in the city.

Continued on page 25

A

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

<p>Uses financial and performance information to assess performance to identify areas for improvement (cont'd)</p>	<p>While the Council has performed well against its strategic priorities for 2023/24, we roll forward an improvement recommendation from 2022/23 as note that the Council do not currently publicly report on progress against each key performance indicator (KPI) linked to its key strategic priorities. At present, the performance reporting provides an overall summary of progress, informing users of the percentage of commitments achieved versus not achieved. Users therefore do not gain an understanding of which of the commitments the Council is performing well in versus those it is performing less well in. We recommend including, in the least as an appendix, greater detail on the individual performance indicators. The Council clearly have a suite of key performance indicators against which they measure performance. These are presumably aligned to its strategic objectives. These are known internally but are not currently shared publicly/externally.</p>	<p>A</p>
<p>Evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Council has a corporate complaints policy for public complaints, compliments, and comments, covering matters under the Local Government & Social Care Ombudsman (LGSCO) and the Housing Ombudsman (HO). It outlines exclusions from the policy, such as complaints about adult and children's social care, elected officials, and school matters.</p> <p>The 2023/24 Ombudsman complaints overview report indicated that 99 complaints were investigated and responded by the Ombudsman. Out of the 99 ombudsman complaints received in 2023/24, 20 originated from the HO. Among these, 7 complaints were upheld in favour of the complainant, 8 were not upheld, and 5 were outstanding, resulting in a total compensation order of c. £7,000. The remaining 79 complaints were from the LGSCO, with 16 upheld in favour of the complainant, 54 not upheld, and 8 still outstanding, resulting in a total compensation order of nearly £8,500. The upheld complaints from both the HO and LGSCO were related to various issues such as the condition of property on allocation, delays in completing housing repairs, delays in assessing homelessness circumstances, housing register applications, complaints handling delays, the handling of Anti-Social Behaviour reports, outdated Anti-Social Behaviour policies, and the handling of a Right To Buy application. Resolutions instructed by the HO have been completed, primarily focusing on in-service resolutions.</p> <p>Further to the above, there are significant challenges to current activities, and the Mayor's manifesto priorities are backed by appropriate strategies. Strategic Directors, who oversee departmental budgets and strategy implementation, frequently meet with Finance to review service delivery and consider potential investments to enhance efficiency and service quality, rather than simply focusing on cost reductions.</p>	<p>G</p>

Improving economy, efficiency and effectiveness (continued)



We considered how the Council:	Commentary on arrangements	Assessment
<p>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</p>	<p>The financial plans of the Council show numerous partnership agreements that are in line with its corporate goals and main priorities, such as promoting job creation, providing affordable housing, enhancing education, and addressing health needs and social care.</p> <p>Various partnerships include the Leicester Community Safety Partnership, which is a partnership of agencies dedicated to addressing crime, drugs, and disorder. The responsible authorities comprising a Community Safety Partnership include the Police, Fire and Rescue Authority, Local Authorities, Health Partners, and Probation Services. The Council engages effectively across these partnerships.</p>	<p>G</p>
<p>Commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council's financial regulations and contract standing orders, outlined in the Council's Constitution, mandate staff compliance when spending money with external providers. The Council has a Head of Procurement and specialised teams for different types of procurement, adhering to the Public Services (Social Value) Act and applying social value evaluation weightings. In response to a recommendation, the Council developed a Procurement Strategy 2024 – 2026, presented to the July 2024 Audit and Governance Committee. The strategy focuses on monitoring procurement activity, setting thresholds for quotations, and prioritizing getting it right the first time, obtaining the best value for Leicester, and supporting sub-contractors. It aligns with national and local priorities and anticipates government legislative and policy changes. The strategy is divided into three parts: the Council's strategic procurement framework, nine strategic procurement themes, and five key enablers. Additionally, the report notes plans for creating a contract management framework to support the strategy in the future.</p> <p>The Council's Contract Procedure Rules mandate an annual report to be presented to the Executive and the Governance and Audit Committee, providing information on procurement activities and compliance with the rules. The report includes details of waivers granted, which have decreased in number and value, largely due to the impact of COVID-19 and enhanced scrutiny. The Governance & Audit Committee is responsible for reviewing the annual report, considering proposed rule changes, and ensuring appropriate governance and risk management in procurement activities.</p> <p>The Council faces a key issue in its Medium Term Financial Strategy, as it expects reserves to run out in 2025/26, necessitating significant savings. Additionally, economic instability and rising inflation pose challenges, with the Council monitoring budgets and services to address increased costs and potential supply shortages. The Council is making efforts to manage capital budgets and account for inflation in project planning to mitigate these challenges.</p>	<p>G</p>

- 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.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Setting of KPIs for each service area with stretch targets

Key performance indicators are used to track performance of the Council's priorities as outlined in the Corporate Plan. Targets go through CMT and then agreed with Portfolio Holders. A 15% threshold is applied to determine red/amber/green ratings and does not change in-year (unless in exceptional circumstances). The Council's Performance and Accountability Framework underpins this approach and is due for review in 2024 as it was last updated in July 2021.

We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.

Given the Council has yet to formally implement a strategic plan, we propose to roll forward the improvement recommendation from the 2022-23 report into this year, though in doing so we acknowledge there is a strategic plan currently being considered.

Improvement recommendation 5: Setting of KPIs for each service area with stretch targets

We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation*	Actions agreed by Management
Financial Sustainability		
Medium-term financial challenge to close the budget gap		
<p>The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:</p>		
KR1	<ul style="list-style-type: none"> • The identification and delivery of savings that reduce the indicative budget gap in 2025/26 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic. • Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) • Considering how and when a credible plan can be developed for the rebuilding the reserves balance to ensure it can be replenished to provide financial security and cushioning in the future • Difficult decisions are likely to be required in future budgets. The Council should therefore ensure that: <ul style="list-style-type: none"> ○ its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend, ○ where discretionary spend continues this spend can be managed within the available financial envelope whilst ensuring that statutory duties continue to be met, and ○ If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders 	Key
<p>Actions: The Council has recently published a budget strategy for 2025/26 which balances for the budget for the next 3 years and works towards making steps to reduce the financial gap. It is a clear priority for the Council to improve its financial position.</p> <p>Responsible Officer: Amy Oliver (Director of Finance)</p> <p>Due Date: Ongoing</p>		
Formal mechanism for monitoring and reporting on financial savings		
IR1	<p>The Council should implement more formal governance processes and mechanisms for tracking, challenging and reporting on the financial savings required to balance the MTFS.</p>	Improvement
<p>Actions: This is agreed and will be included as part of the 2025/26 quarterly monitoring to OSC.</p> <p>Responsible Officer: Amy Oliver (Director of Finance)</p> <p>Due Date: July 2025</p>		

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation *	Actions agreed by Management
Governance		
<p data-bbox="212 555 651 574">Major Cyber Security Incident – March 2024</p> <p data-bbox="212 592 1111 671">IR2 The Council should ensure that actions taken following the cyber-security incident are embedded within the Council and cyber-security remains core to the Council's operations to reduce the risk of a future cyber-security incident.</p>	Improvement	<p data-bbox="1543 520 2069 600">Actions: - The recommendation is accepted - As noted several significant actions have already taken place to improve our security posture.</p> <p data-bbox="1543 617 2018 668">Responsible Officer: Andrew Shilliam (Director of Corporate Services)</p> <p data-bbox="1543 686 1861 705">Due Date: Actioned and in-place</p>
<p data-bbox="212 767 1066 786">Improvement required in the consistency of information in the Council's Risk Register</p> <p data-bbox="212 804 1111 914">IR3 The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date through better triangulation with other information to remove inconsistencies in scoring and understanding of the risks around Council's operations so that risk management becomes more embedded as a useful tool in the Council.</p>	Improvement	<p data-bbox="1543 746 2069 798">Actions: Agreed and will be implemented as part of the reporting to Governance & Audit.</p> <p data-bbox="1543 815 2018 866">Responsible Officer: Andrew Shilliam (Director of Corporate Services)</p> <p data-bbox="1543 884 1738 903">Due Date: July 2025</p>
<p data-bbox="212 1015 1081 1034">Appointing an additional independent member to the Governance & Audit Committee.</p> <p data-bbox="212 1051 1039 1131">IR4 We recommend that the Council consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.</p>	Improvement	<p data-bbox="1543 978 2101 1058">Actions: This is already included in the terms of reference and consideration will be given to recruiting an independent member during 2025/26.</p> <p data-bbox="1543 1075 2056 1094">Responsible Officer: Amy Oliver (Director of Finance)</p> <p data-bbox="1543 1112 1805 1131">Due Date: September 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation *	Actions agreed by Management
Improving economy, efficiency and effectiveness		
<p data-bbox="210 555 768 577">Setting of KPIs for each service area with stretch targets</p> <p data-bbox="210 596 1111 676">IR5 We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.</p>	Improvement	<p data-bbox="1543 520 2018 571">Actions: This will be considered by the Corporate Management Team</p> <p data-bbox="1543 587 2063 638">Responsible Officer: Alison Greenhill (Chief Operating Officer)</p> <p data-bbox="1543 654 1805 676">Due Date: September 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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.

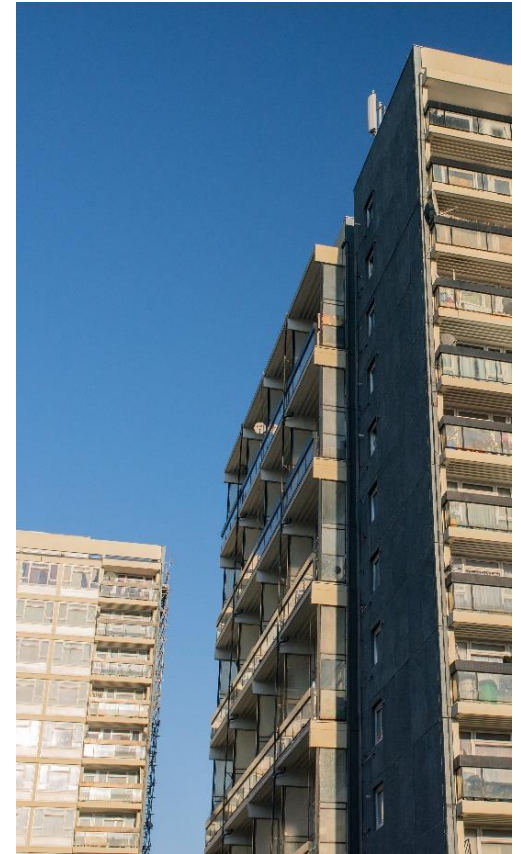
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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



Value for Money arrangements work

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 audited body’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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.


Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council’s auditors as follows:

- **Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations – actions which should be taken by the Council where significant weaknesses are identified within arrangements.**
- **Improvement recommendations – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council’s arrangements.**

Appendix C:


Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Financial Sustainability The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward: <ul style="list-style-type: none"> The identification and delivery of savings that reduce the indicative budget gap in 2024/25 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic. Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) Rebuilding the reserves balance to ensure it can be maintained to provide financial security and cushioning in the future Difficult decisions are likely to be required in future budgets. The Council should therefore ensure: <ul style="list-style-type: none"> that its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend, that those discretionary areas can be managed within the available financial envelope, and If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders. 	Key	April 2024	Work is ongoing in developing a sustainable plan to reduce growth pressures in social care and homelessness budgets and identifying savings options to balance 2025/26 budget including capital options. Revised MTFS to be presented to cabinet in November 2024.	Partially	Yes - Key recommendation re-iterated for 23/24

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:


Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?	
 Governance						
2	The Council should improve the presentation of the Strategic Risk Register by including the key relevant controls and assurance and setting these out for each strategic risk reported to Governance & Audit.	Improvement	April 2024	Our Strategic Risk Reporting will be adjusted for the first round of reporting in 2025 and will include a summary of the key risk control actions for each of our strategic risks.	Partially	Yes – Recommendation rolled forward for 2023/24
3	The Council should consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.	Improvement	April 2024	The terms of reference for the committee allow for a second independent member. The Council will look at options for filling this position in 2025.	No	Yes – Recommendation rolled forward for 2023/24
4	The Council should include within its regular in-year reports to the Overview Select Committee and/or Audit Committee, alongside its year-end forecast outturn, consideration of best and worst-case outturn scenarios in relation to the Council's key financial risks/mitigations.	Improvement	April 2024	The monitoring reports already include narrative on potential risk areas and will look at developing this further in 2025/26.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Improving economy, efficiency and effectiveness					
<p>5 We note that the Council do not currently publicly report on progress against each key performance indicator (KPI) linked to its key strategic priorities. At present, the performance reporting provides an overall summary of progress, informing users of the percentage of commitments achieved versus not achieved. Users, therefore, do not necessarily gain an understanding of which of the commitments the Council is performing well in versus those it is performing less well in. We recommend including, in the least as an appendix, greater detail on the individual performance indicators. The Council clearly have a suite of key performance indicators against which they measure performance. These should be aligned to its strategic objectives. These are known internally but are not currently shared publicly/externally. We now recommend that the Council:</p> <ul style="list-style-type: none"> publicly explain how these indicators are derived (e.g. statutory obligation); for each KPI, outline a performance target which meets the service quality the Council wishes to deliver; for each KPI, state performance against this target, how the performance has changed over time and consider benchmarking against near neighbours (NNs) as appropriate. 	Improvement	April 24	A strategic plan is currently being considered and this would then the performance indicators we would report on.	No	Yes – Recommendation rolled forward for 2023/24

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

